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Sixteenth Annual Edition

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UNITED STATES-GERMAN ECONOMIC YEARBOOK 1990

Deutsch-Amerikanisches
Wirtschaftsjahrbuch

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The Single European Market
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Deutsch-Amerikanisches Wirtschaftsjahrbuch

Issued February 1991

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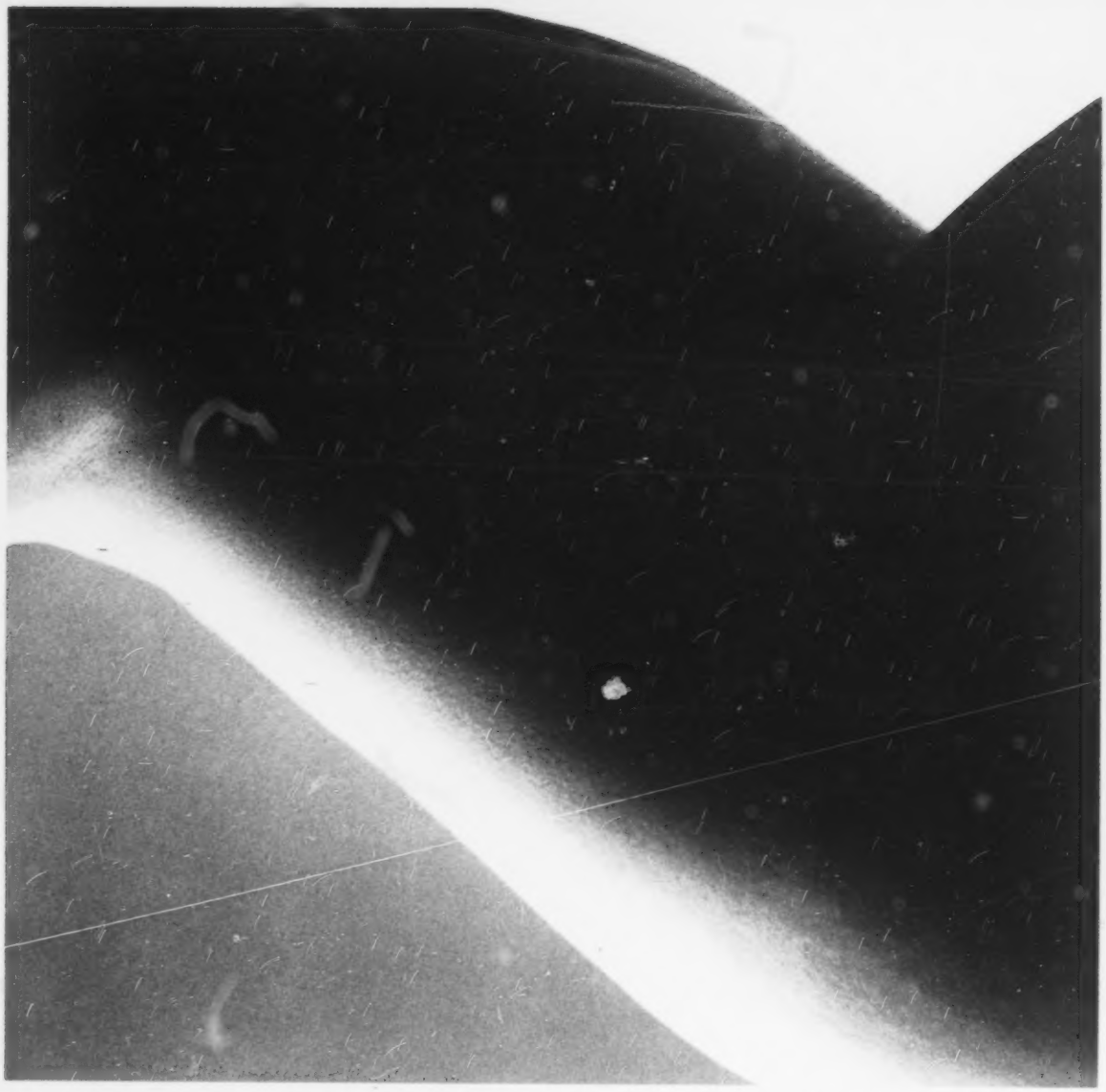

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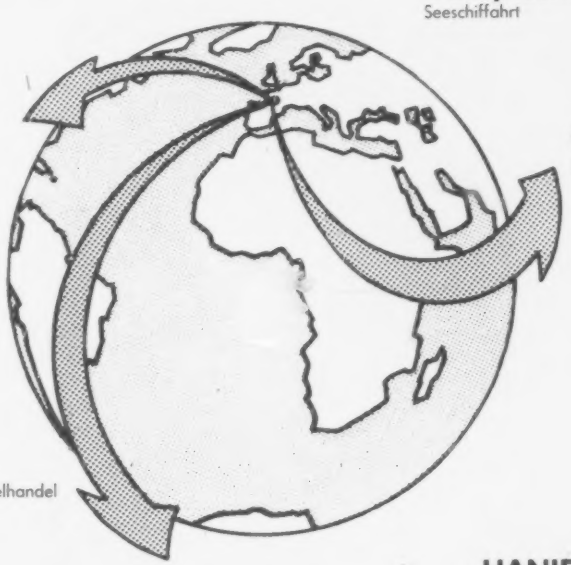

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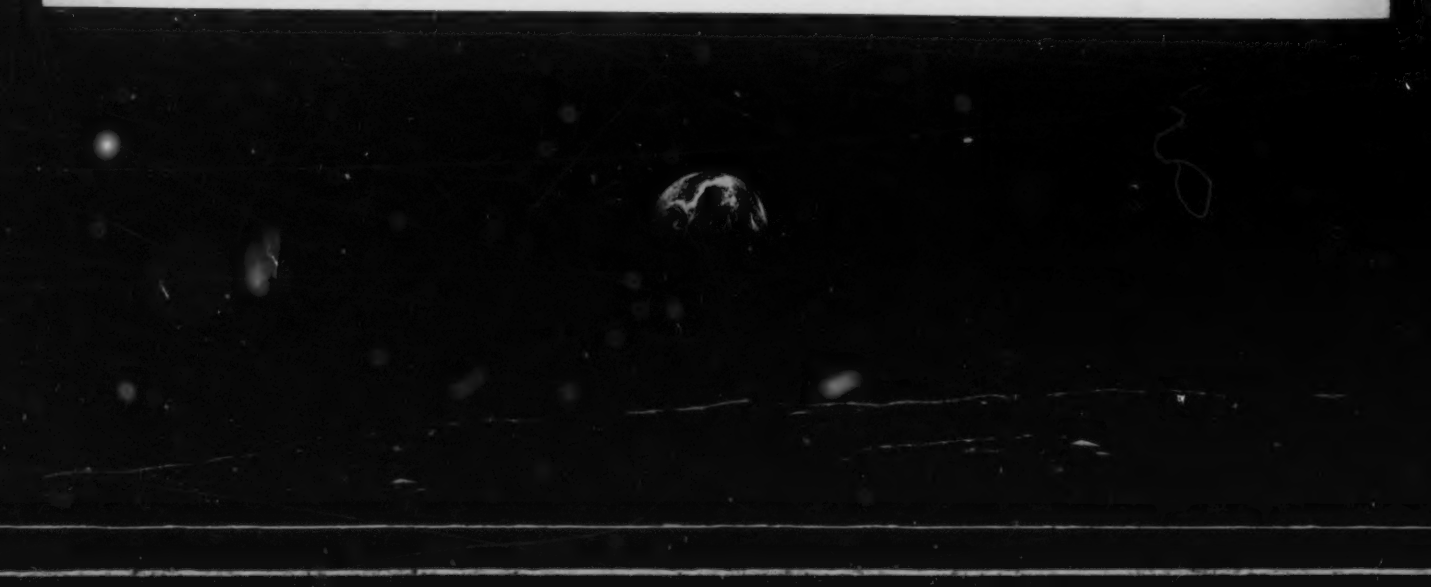

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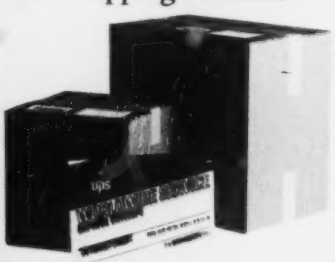

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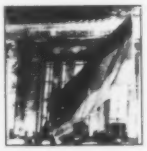

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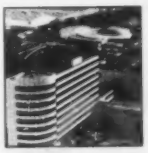

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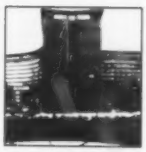

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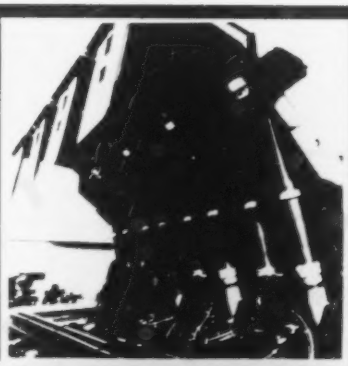

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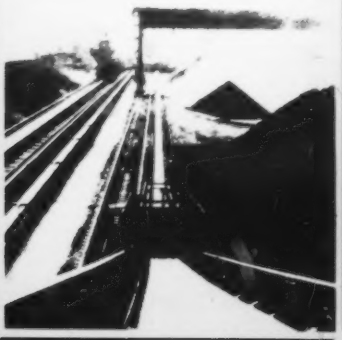

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Preface

The year under review witnessed a continuation and consolidation of the profound changes that occurred in 1989. Europe is in the midst of unprecedented transformation, perhaps equaled only in the Napoleonic era. The end of the Cold War, the collapse of Communism in Eastern Europe, and the unification of Germany will have profound implications for the international business community.

If last year was no *annus mirabilis* like 1989, it did provide the first evidence that the transition from Communism to free-market economies in Eastern Europe will be a complex and difficult process. We cannot expect a rapid transformation of their economies equivalent to the swift introduction of democratically elected governments in these countries. German business has many years of experience in dealing with these countries and is trying to be helpful to the economic leadership and nascent entrepreneurs in Eastern Europe in navigating the shoals of free-market economics. I believe that our articles on this topic will be useful, especially to our American readers.

On October 3, 1990, German unification became an accomplished fact. The five new states of the Federal Republic contain over 16 million new citizens, and their pent-up demand for high-quality products and a wide variety of services will represent a vibrant market for many years to come. I am particularly hopeful that the articles we are presenting on this subject will aid our American readers in evaluating the enormous potential of this new market.

Finally, I want to take this opportunity to thank our American and German authors who have contributed their time and talent so generously to our 1990 edition. We at the German American Chamber of Commerce believe that this endeavor reflects the enlightened spirit of mutual commitment that has made such a successful 1990 possible.

Werner Walbröl
Executive Director
German American Chamber of Commerce

January 1991

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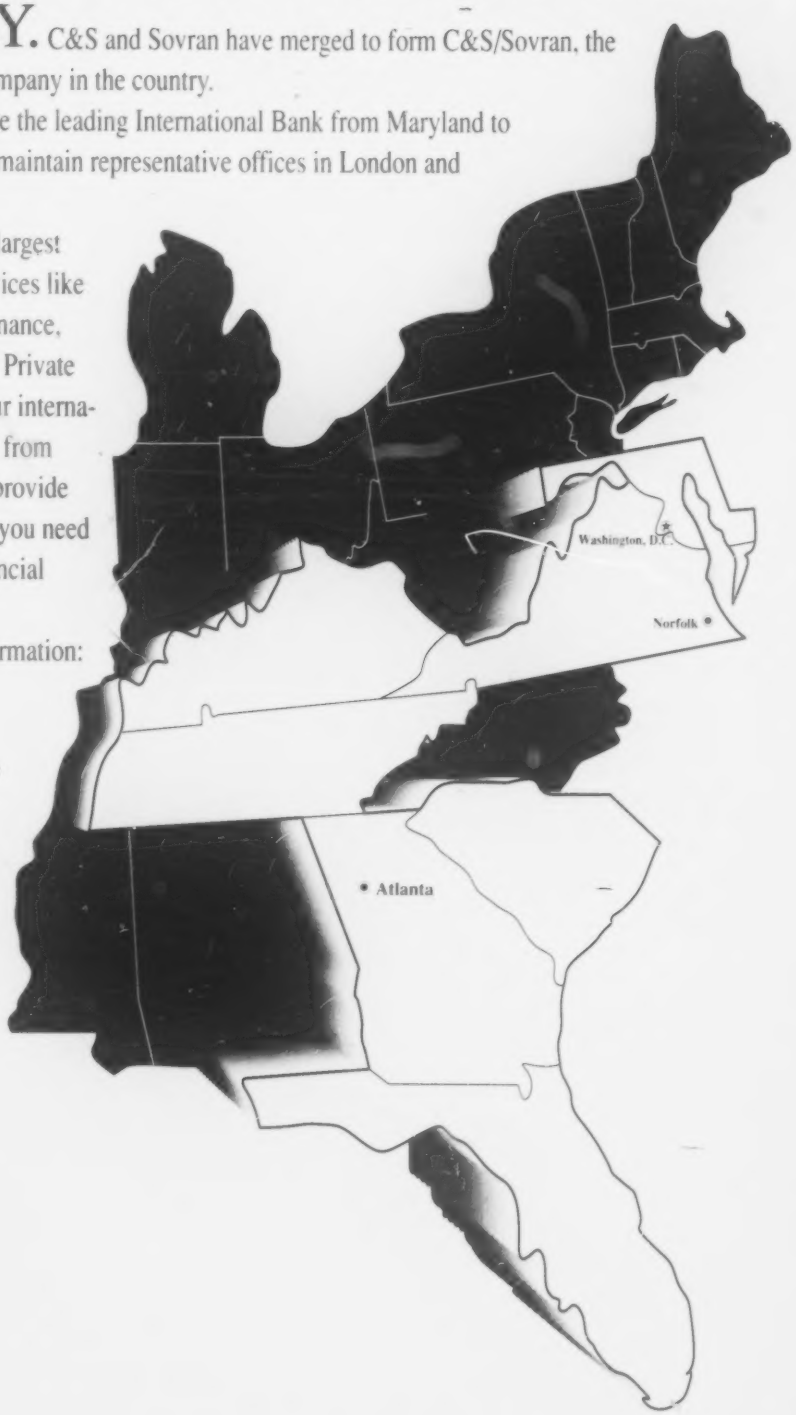

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Bericht über die Lage der US-Wirtschaft

The Gulf Crisis and the U.S. Economy

Alan Greenspan
Chairman
Board of Governors of the
Federal Reserve System

The world economy is being profoundly influenced by developments in the Persian Gulf, including their effects on oil markets during the past four months. However, before turning to an examination of the effects of higher oil prices on the U.S. and world economy, it is useful to step back for a moment and review the trends that our economy appeared to be following prior to the Iraqi invasion of Kuwait.

On the positive side, the data released in recent weeks have confirmed that the economy was still expanding when the oil shock hit. Indeed, real GNP currently is estimated by the Commerce Department to have increased in the third quarter. In addition, the index of industrial production increased at a 3.7 percent annual rate last quarter, indicating that much of the strength in the economy during the summer was in the goods-producing sectors, where a weakening of overall activity typically would be expected to show through most clearly. On the negative side, however, growth of private payrolls was at a virtual standstill in July, and the unemployment rate, which had fluctuated narrowly for several quarters, began to rise around midyear, albeit from a level that was quite low by recent historical standards.

On the inflation front, data through July suggest that price increases had not yet begun to decelerate as of midsummer. In fact, there were disturbing signs in the first half of the year that the core rate of inflation had crept up somewhat. However, the latest data on hourly compensation hint that labor cost increases were beginning to slow in the third quarter, and, had oil prices not jumped after August 2, some easing of underlying price pressures might well have become evident by now.

To summarize: The data that we have received during the past four months indicate that, prior to August 2, the economy was expanding at a moderate pace and underlying inflation pressures probably were beginning to ease. This suggests that things were developing in line with our

. . . prior to August 2, the economy was expanding at a moderate pace and underlying inflation pressures probably were beginning to ease.

policy objectives, which were to achieve a slowing of inflation in the context of continued expansion of real activity.

Regrettably, however, the events in the Persian Gulf have altered the immediate economic situation rather substantially. Consumer and producer price indexes have jumped in the past couple of months because of surges in the prices of energy products. Other, less direct, effects are becoming evident as the higher oil costs are being passed

through into the prices of items that are heavily dependent on oil—notably airline fares and other transportation costs and materials that rely heavily on petroleum feedstocks. Over time, the higher prices may feed through to labor costs, as workers seek to delay the inevitable declines in their real incomes. These same influences are being felt, in one degree or another, in most other economies regardless of whether they are net oil importers or net oil exporters.

Oil Effect Spills Over

Not only have the higher oil prices added to overall price pressures here and abroad, they also have begun to restrain real activity. These effects work through several channels and are difficult to sort out with great precision. First, to the extent that the United States is a net importer of oil, a hike in oil prices drains away purchasing power from American energy users to foreign oil producers. Specifically, the higher prices cut into the real disposable income of households, which in turn reduces their spending on all categories of goods and services. Second, the weaker path for consumption subsequently is likely to spill over to business investment as many firms—their profit margins already squeezed by higher energy costs—lower capital spending in response to the reduced demand for their output.

. . . the enormous uncertainty about . . . the Persian Gulf . . . tends to engender withdrawal by producers and consumers . . .

In addition to the effects of the higher oil prices *per se*, the enormous uncertainty about how, and when, the tensions in the Persian Gulf will be resolved also affected the economy in a negative way. Such uncertainty tends to engender withdrawal by producers and consumers from their normal activities as they respond cautiously to new developments. However, the surveys of people's concerns about the outlook have pointed to greater weakness than has been revealed by what people, at least to date, are actually doing.

U.S. M-1 Abrams tank on duty in the sands of Saudi Arabia.

In addition, industrial production . . . fell in October, and the weekly data through mid-November point to pronounced further weakness.

Most of these same influences on prices and activity are affecting the economies of our major trading partners. Although countries that are not net oil importers, such as Canada and the United Kingdom, do not face the net drain on real national income from higher oil prices, they are adversely affected by economic developments in the oil-importing countries and by higher oil prices which tend to depress real personal income, at least in the short run. Consumers and producers in these countries are also affected by the uncertainties surrounding the entire situation. All this has negative feedback effects on our own economy through lower exports.

In the current episode, the clearest manifestation of the actual effects on U.S. activity is in the labor market, where private employment and hours of work dropped markedly in October, and where initial claims for unemployment insurance have moved significantly higher over the past several weeks. In addition, industrial production—especially in the motor vehicle and construction supplies sectors—fell in October, and the weekly data through mid-November point to pronounced further weakness. The drop in employment and hours is causing personal income to decline at the very time that rising energy prices are squeezing many household budgets; this drop in real purchasing power, along with plunging consumer sentiment, does not bode well for the near-term trends in consumer demand especially in the context of an already low saving rate. It is noteworthy that retail sales in October were about unchanged in nominal terms, and undoubtedly fell significantly in real terms.

Delayed Reaction

Higher oil prices, however, are not the only force restraining activity. In particular, as I reported to the Congress in July, there was considerable evidence at that time that banks—along with other lenders—had tightened the terms and other conditions for supplying credit. Data since then, including Federal Reserve surveys of bank lending officers as well as the recent sluggishness of the monetary aggregates, suggest that the tightening of credit has proceeded somewhat further since July.

As yet, there is only limited statistical evidence on the extent to which tighter credit conditions have directly affected businesses and consumers. However, the avail-

able anecdotal information clearly suggests that many types of businesses are encountering greater difficulty obtaining financing. This has been seen most clearly in the commercial real estate market, but it extends to borrowing for a variety of other purposes as well.

The interaction of rising oil prices, Persian Gulf uncertainties, and credit tightening is apparently creating a greater suppression of economic activity than the sum of the forces individually. Thus, although economic activity seems to have been better maintained through the summer than many forecasters had expected, all indications are that a meaningful downturn in aggregate output occurred as we moved through October and into November.

Amidst these adverse developments, the depreciation of the dollar we've seen this year, other influences aside, may be expected to provide some stimulus to our exports and restrain our imports. However, a weaker dollar also is a cause for concern: It adds upward pressure to U.S. import prices, compounds the inflation impulse emanating from the higher oil prices, and may put at risk our ready access to net inflows of foreign saving.

Supply of Crude at Pre-Crisis Levels

In the oil market itself, rates of overall production of crude petroleum currently appear to have been restored to pre-crisis levels, after a temporary disruption in the wake of the Iraqi invasion. At the end of July, OPEC had agreed to reduce its production rate from about 23-1/2 million barrels per day to 22-1/2 million barrels per day.

Before the new accord could take hold, of course, Iraq invaded Kuwait. The subsequent United Nations-sanctioned embargo removed 4.3 million barrels per day of Iraqi and Kuwaiti crude oil production from the market, an amount equal to almost 10 percent of production in market economies.

This loss has since been fully replaced through increased liftings by other members of OPEC, chiefly Saudi Arabia, as well as significantly increased production in the North Sea. As a result, in October, crude production in market economies was back up to about the same rate as during the first half of this year, almost 46 million barrels per day. Although the replacement crudes are slightly *heavier* than the lost oil, and therefore yield less output of light products such as gasoline and kerosene, such differences appear manageable.

In the oil market itself, rates of overall production of crude petroleum currently appear to have been restored to pre-crisis levels . . .

While the response of world crude oil production to the Iraqi invasion can be gauged fairly readily, the reaction of world oil consumption is more difficult to discern. Available data on world shipments of petroleum products actually show a greater-than-normal increase in the third quarter. But a substantial portion of this increase is thought to have been reflected in secondary and tertiary stock-building, rather than in an increase in actual consumption. Secondary stocks, incidentally, are those held by product retailers and distributors, while tertiary stocks are held at the point of consumption, such as industrial plants.

The Marriner S. Eccles Federal Reserve Board Building, Washington, DC.

Primary commercial stocks of petroleum and products held on land by refiners and marketers in the industrial countries appear to be a bit above normal for this time of year. In addition, rough indicators of the level of stocks afloat suggest that after a small decline in the third quarter, these stocks may be increasing. Some of these stocks, which are held in ocean tankers, represent unsold heavier crude oil from Saudi Arabia and Iran. Overall, world stocks of petroleum and products currently are at levels that, under normal circumstances, probably would be viewed as being comfortable or perhaps even slightly excessive. This relatively comfortable situation is consistent with the current pattern of futures prices, which show a decline of about $6 to $8 a barrel by the second half of next year from the recent spot price levels of about $33 per barrel for West Texas intermediate crudes. Indeed, at the current apparent balance of supply and demand for crude oil, spot prices might have been expected to be substantially lower were it not for the uncertainties associated with the situation in the Gulf. What we have seen in varying degrees since August 2 is a general scramble for existing inventories by refiners here and abroad to guard against a possible further short-term disruption of supplies. This has contributed to the bidding up of prices on spot markets.

The situation in markets for a few specific oil derivatives may be somewhat tighter than in markets for crude. The shutdown and blockade of refineries in Kuwait and Iraq removed about 2 percent of the world's refinery capacity from the market. The lighter-end products, such as kerosene or jet fuel, produced by these refineries went primarily to Japan and other Asian countries. Attempts by Asian consumers to replace the lost products, coupled with increased Gulf-related military demand, resulted in a bidding-up of world kerosene and jet fuel prices during September and October relative to crude and other petroleum products. But these spreads have since retraced most of their earlier increase. At the time of the invasion,

refineries in Western Europe had been operating at relatively low utilization rates, and there appeared to be some excess capacity, globally, in operations that convert heavier products into lighter ones. Production rates have presumably risen in these areas since the invasion.

In the United States, gasoline markets were relatively tight over the period prior to the invasion, owing to strong demand and a series of disruptions at refineries. Stocks of gasoline fell further in August, rebounded through September and the first half of October, and have edged off over the past six weeks. The level of stocks last week was roughly in line with its level a year ago, and about 6 percent above what is considered the minimum operating inventory against normal operating problems and shortages.

The rapid rise in crude oil prices following the Iraqi invasion helped boost the domestic average price of gasoline from $1.10 per gallon in the second quarter to an average of roughly $1.40 per gallon during the past two months. However, average margins between the cost of crude to refiners and retail prices at the pump fell significantly from July through October. Recently, margins have recovered somewhat, but they still appear to be about 5 to 10 cents per gallon below their average level in the second quarter this year.

Outlook for Monetary Policy

Turning to the question of how the Gulf crisis has affected monetary policy, the first point is that the uncertainties surrounding the situation are considerable and that it is difficult to isolate the Federal Reserve's response to this particular event when so many other things are affecting the policy equation. Moreover, we must not lose sight of the fact that there is no policy initiative that can in the end prevent the transfer of wealth, and cut in our standard of living, that stems from higher prices for imported oil.

The role of monetary policy is to provide the financial environment that is consistent with the nation's longer-run economic objectives. Since the spring of 1989 this has implied some easing of reserve conditions, and the federal funds rate has come down from near 10 percent to its current level of around 7-1/2 percent. Our latest policy adjustments have been in response to indications of a weaker economy, partly as a consequence of the prospects for a degree of fiscal restraint as a result of the budget agreement, and partly because of some further tightening in the availability of credit since mid-summer. In this context, we shall want to make certain that money and credit remain on appropriate growth tracks, with due attention to the credit situation. Whether further adjustments to policy will be needed cannot be spelled out in advance and will depend on the specifics of the circumstances as they develop.

. . . it is difficult to isolate the Federal Reserve's response to this particular event when so many other things are affecting the policy equation.

In the final analysis, I can only offer the assurance that the Federal Reserve will seek, as we have in the past, to foster economic stability and sustainable growth. As in the past, this will require not only attention to the level of economic activity but also the pursuit over time of price stability—a task made all the more challenging by the effects of the Gulf crisis. □

This article is dated November 28, 1990.

Überblick

Bericht über die Lage der US-Wirtschaft

Alan Greenspan äussert sich in dieser Rede zur wirtschaftlichen Lage der USA vor dem Hintergrund der Entwicklungen im Persischen Golf. Die US-Wirtschaft befand sich in einer Wachstumsphase, als der Ölschock zuschlug. Schätzungen des Commerce Department zufolge ist das reale Bruttosozialprodukt im 3. Quartal angestiegen. Auch der Index der industriellen Produktion ist in demselbem Quartal wieder merklich angezogen. Negativ zu Buche schlugen das im Juli zum Stillstand gekommene Wachstum der Privateinkommen und eine steigende Arbeitslosenrate.

Die Ereignisse im Persischen Golf veränderten jedoch die unmittelbare wirtschaftliche Lage der USA tiefgreifend. Aufgrund steigender Energiepreise schossen Verbraucher- und Herstellerpreisindizes in die Höhe. Höhere Preise werden sich früher oder später auch auf die Lohnkosten auswirken, da Arbeitnehmer versuchen werden, das unvermeidliche Sinken ihrer Realeinkommen möglichst lange aufzuhalten. Neben den Effekten höherer Ölpreise per se belastet die Wirtschaft ebenso die enorme Unsicherheit in der Frage, wie und wann die Spannungen im Persischen Golf beseitigt werden können.

Nicht minder hemmend auf die Wirtschafskraft der USA wirkt die Verknappung der Kredite. Statistiken, Ergebnisse einer Umfrage der Federal Reserve bei Kreditsachbearbeitern und die neuerliche Stagnation monetärer Aggregate lassen vermuten, daß die angespannte Kreditlage seit Juli weiter fortgeschritten ist.

Das Zusammenspiel dieser drei Faktoren - steigende Ölpreise, Unsicherheit im Persischen Golf und Kreditverknappung - drücken anscheinend mehr auf die wirtschaftliche Aktivität als die Summe dieser Kräfte für sich allein genommen.

Vor diesem Hintergrund versichert Alan Greenspan, daß die Federal Reserve sich, wie auch in der Vergangenheit, zur Aufgabe macht, wirtschaftliche Stabilität und kontinuierliches Wachstum zu fördern. Dies wird weiterhin nicht nur Aufmerksamkeit im Hinblick auf die wirtschaftliche Aktivität erfordern, sondern auch die Verfolgung des Ziels der Preisstabilität - eine Aufgabe, die durch die Auswirkungen der Golfkrise umso herausfordernder geworden ist. □

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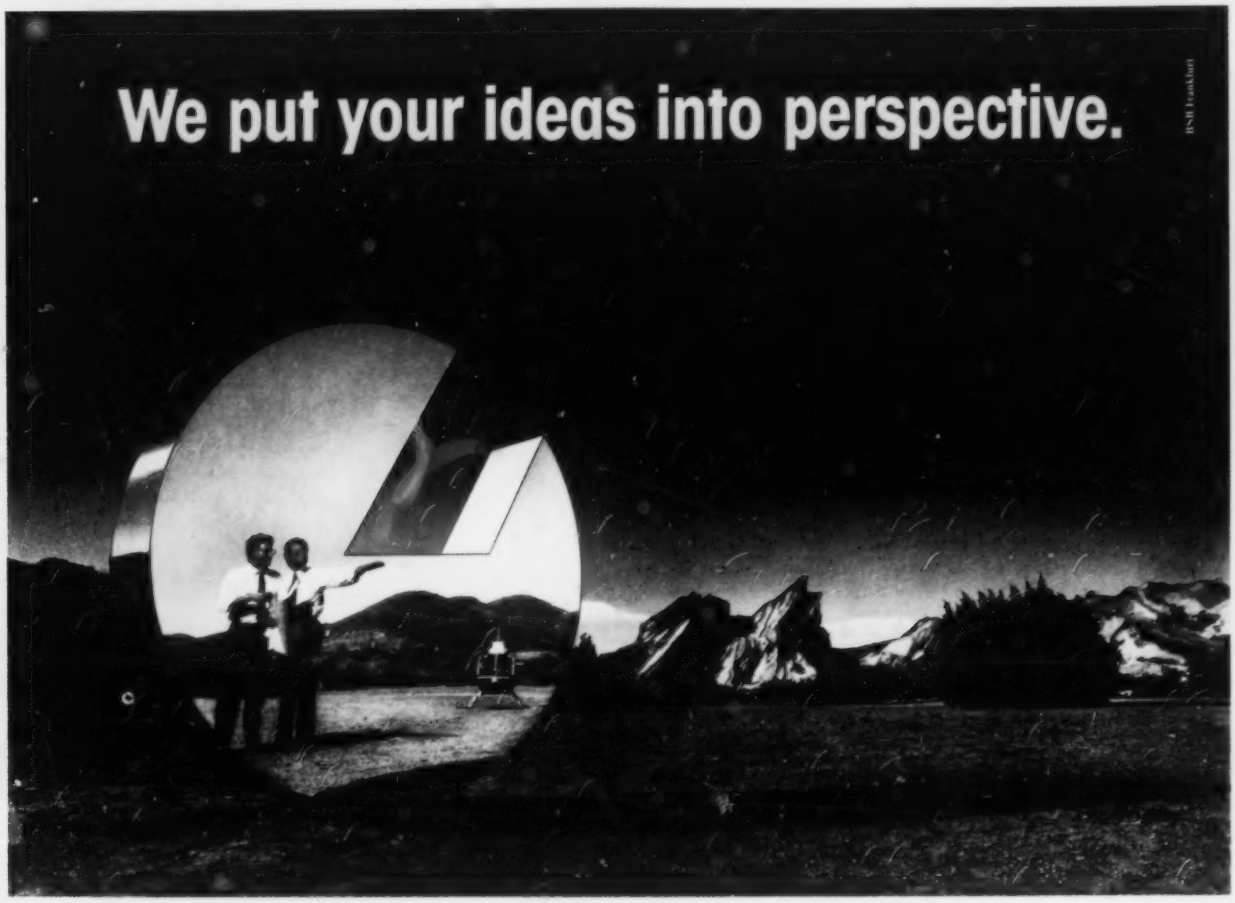

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Währungspolitik und Bankenaufsicht

Monetary Policy and Banking Oversight

Karl Otto Pöhl
President
Deutsche Bundesbank

German unification has been completed. The German Democratic Republic has become part of the Federal Republic and has fully accepted its democratic institutions and free-market economy.

The first step towards political unification was taken on July 1, 1990 with the introduction into the GDR of the deutschmark, which was followed by full unification on October 3. Excepting the Federal Banking Supervisory Office, the Deutsche Bundesbank was the only institution that from the very beginning enjoyed competence in both German states. That was one reason why—from a technical standpoint—the introduction of the deutschmark proceeded relatively smoothly.

Since October 3, there is a single German Parliament and one German Government. I believe that this is an essential prerequisite for recovery in eastern Germany. I harbor no illusions about the financial dimensions of this process, but I believe we should not only talk about the costs of unification but also about the opportunities, which in the final analysis will predominate. Even now, as the economics of a number of important industrial countries show unmistakable signs of weakening, the economic dynamism of a united Germany is serving as a locomotive for economic growth around the world; and this role will become even greater, as the IMF has pointed out in its World Economic Outlook.

. . . the economic dynamism of a united Germany is serving as a locomotive for economic growth around the world . . .

Given the events in the Middle East, it will be even more difficult for the Bundesbank to meet the challenge of managing this process in a climate of price stability. This is not only in our interest but also in the interest of those countries with which we are linked in the European Monetary Area, a point I will return to later.

Strengthen the Soundness of the Banking System

The Federal Republic's law covering the banking and credit system has stood the test of time, and has served to circumscribe the risks attending the banking and credit business. To be sure, national supervisory authorities are no longer in isolated juxtaposition. Coalescing financial markets, new financial instruments that fill the gaps between market sectors, and the internationalization of markets require intensive cooperation on the part of national supervisory authorities beyond their own borders. Along the way, a certain amount of harmonization and standardization has already been achieved.

Nevertheless, bank supervisory regulations in various countries differ substantially. Competition on the financial

markets should not be debased to a competition of supervisory systems mandated by cost considerations. A beggar-thy neighbor contest by national supervisory systems for international banking business is not desirable, and entails the danger that the quality of supervisory rules and norms will be driven down to a minimum around the world, a minimum that would jeopardize the soundness and solvency of the banking system. The goal should really be to achieve a proximate semblance at a high level.

This is particularly true with respect to the concept of equity capital which, as determined by supervisory authorities in terms of size and a cost factor for the banks,

Competition on the financial markets should not be debased to a competition of supervisory systems. . .

is being increasingly undermined by competitive considerations. Both at home and abroad, I have always advocated a restriction of equity to constituent parts that are freely available at any time and are not repayable.

The most recent developments on the financial markets have confirmed my reservations with regard to the constituent parts of equity capital that do not meet these requirements. Just how disastrous it is to employ equity of inadequate quality to maintain legal limits is particularly obvious in the case of valuation reserves that have shrunk in various countries due to declines in the stock market and in real estate values. This has an immediate impact on the ability of banks to extend credit and thereby has a negative ripple effect throughout the economy. In the worst cases, they may actually ignite deflation or inflation.

Valuation reserves as well as various other types of equity capital of low quality represent an unsecured bill on the future. They are not capable of controlling the risks that loom on the horizon as a result of growing market volatility and the declining credit worthiness of borrowers. Therefore, monetary and supervisory authorities cannot give priority in the question of equity capital competitive considerations as opposed to the risk factor. Nor can I imagine that it is in the banks' interest to weaken the firm foundation of their conservative equity with the sort that rapidly loses value in bad markets in order to secure marginal cost advantages. In any event, the costs associated with hard equity capital assume another perspective when they are compared to the advantages that accrue to a bank from its good standing.

In the face of sharply fluctuating markets and growing problems with loans, the demand for a stricter equity capital regimen is winning adherents in other countries, too. It is well known that the Federal Reserve Board is working on new rules that will exceed current international standards. I've noted with interest that my colleague Alan Greenspan described as shortsighted the charge by American banks that this would put them at a competitive disadvantage in international markets. In his opinion, the expansion of many banks has gone too far when compared to the level of their equity capital.

Other central banks in the meantime are also examining this question in a new light. I therefore think the time is ripe to consider a strengthening of the equity capital base of banks. Securities firms should also be included in these deliberations in order to avoid disequilibrium.

This darker landscape of risk does not create problems for the supervisory authorities alone. The banks, too, must examine their risk management critically. It is assumed in the marketplace that central banks will cushion collapses

. . . the time is ripe to consider a strengthening of the equity capital base of banks.

in an emergency. That occasionally happened in the past. Indeed, it is the task of central banks to make sure that markets function, but not at any price. Besides, the magnitudes that are potentially involved limit their potential. Bankers and investors should, therefore, very carefully weigh the opportunities against the risks in the deals they are considering. They would be badly advised if they were to jump at every business opportunity and chase every new trend.

Banks should pursue a long-term strategy that is committed to the stability of their business and not yield to the pressure of the short-term-profit mindset. In this sense, I consider it necessary that they build up further free reserves in addition to the assets they hold to meet regulatory requirements. These could then be used in an emergency to cover their risk without direct consequences for their business strategy. Only by doing this can the banks assure uninterrupted and smooth growth.

Monetary union on July 1, 1990 enabled the people of eastern Germany to exchange their East marks for deutschmarks at bank branches.

Creating an Even Playing Field

With regard to competitive conditions in the international financial markets, there is another question that gives cause for reflection, and that is the different ways in which universal banks and securities houses are regulated.

Banks and brokerages compete directly in securities trading but are frequently subject to different regulatory systems and capital requirements. Several international working groups are seriously attempting to bring these regulations into greater conformity, but no result is yet in sight.

Convergence doesn't have to mean that the regulations be effectively nullified. But competition among the systems should not mean that a laxer and, therefore, less costly system should predominate at the expense of a more costly but less risky one. Conclusive solutions to this problem that create an even playing field and appropriate risk containment will require a substantial willingness to compromise. Everyone concerned, not least of all the bankers and brokers, should have a vested interest in a stable supervisory base because safety is the prerequisite for performance and profitability. But this safety will command a price.

Every banking supervisor and banker surely knows better than I how much potential for risk can build up if equity capital coverage is too small and too weak. Short-term cost estimates should not be exaggerated as compared to the long-term returns on your reputation and soundness. From my viewpoint as the head of a central bank, I also must point out that banks with solid equity capital and liquidity are better able to absorb the impact of a restrictive monetary policy when such is required by the situation. A central bank that can find few stable commercial banks does not have full freedom of action.

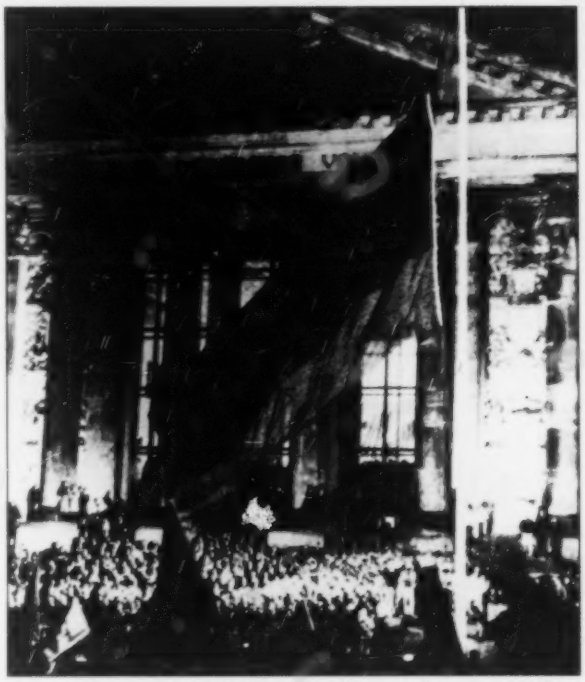
I am, of course, aware that in practice—in everyday banking business and particularly in good times—risk is gladly and facilely overlooked or underestimated. That may be a typical human weakness, and bankers are not the only ones who suffer from occasional attacks of myopia in their daily affairs. It's also often found in politicians and governments, who not infrequently arrive at decisions for electoral or populist reasons. As a result, there is ever greater acceptance of the view that currency and monetary policy should be put under the authority of a central bank that is mandated by law to pursue a long-term stable level of prices and is independent of the government's directives.

Banks should . . . not yield to the pressure of the short-term profit mindset.

Experience teaches us that central banks are better situated to look after price stability. In October 1989, in testimony before the Subcommittee on Domestic Monetary Policy, Alan Greenspan said: "...independence enables the central bank to resist short-term inflationary biases that might be inherent in some aspects of the political process. The Federal Reserve must take actions that, while sometimes unpopular in the short run, are in the long run in the best interest of the country".

Aspects of European Monetary Union

This judgement should also be affirmed by the conference of European governments that will meet at the end of this year (1990) in order to create the legal provisions for a European economic and monetary union. Its main order of business will be to discuss the organization of a future European Central Bank.



Ceremonies marking the political unification of Germany took place on October 3, 1990 in front of the Reichstag in Berlin.

This goal is extremely ambitious, and it can only be attained if all the governments in Europe are really prepared to transfer their sovereignty in monetary policy to a supranational institution. Until the Treaty has been amended and ratified by all the parliaments (an amendment to the EC Treaty requires unanimity), it makes little sense to set a firm date for the transition to a second stage.

Our experience with the Werner Plan or with the—still unrealized—second phase of the European Monetary System (EMS) should suggest caution. For all that, the commencement of the second stage would represent an irreversible advance towards the institutional phase of economic and monetary union, which naturally presupposes a clear concept of the goal to be pursued.

I am convinced that general declarations will no longer suffice. I therefore hope in the not too distant future to be in a position, as the Chairman of the Board of Governors of the EC Central Banks (which many view as a sort of nucleus for a European Central Bank), to present the draft of a European Central Bank Statement that I believe should be an integral part of the Treaty under discussion.

I therefore . . . hope in the not too distant future . . . to present the draft of a European Central Bank Statement . . .

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In order to achieve the transition to the second stage of the economic and monetary union, we will have to have—in addition to the ratification of the amendments to the EC Treaty by all the national parliaments—the completion of the Common Market itself, including the elimination of all customs formalities at the border for traffic in goods, services, and capital, as well as the transfer of sole responsibility for monetary policy to the central bank in countries where this has not yet been done. Possibly the key element, however, will be progress toward economic convergency among the member states, if we intend in the second stage to arrive at an extensive, though not final, fixing of exchange rates, which should be reserved for the third stage.

The crisis in the Middle East has made it more difficult for central banks to preserve the value of their money.

Fortunately, a by no means small number of EC countries in the last few years have reached a high degree of convergency. The EMS member-states and the requisite policies of stability they have practiced have contributed to that. Unfortunately, this doesn't apply to the EC as a whole. On the contrary, divergences in some cases have actually widened.

Therefore, the discussion of the date for the introduction of the second stage serves only to distract us from the real problems. We should now be concentrating on questions of content, which are to be decided at the governmental conference, and on making the first stage of the economic and monetary union a success. Great Britain has contributed importantly to that end with its entry into the EMS. I have stressed for years that the EMS would not be complete as long as one important member-state was not in it. We must understand, though, that a system of fixed currency parities—adaptable and with some wide spreads—can only function on a lasting basis if the economic fundamentals, particularly inflation rates, do not diverge too strongly. Our experience in the early years of the EMS with no less than seven realignments up to 1983 should be extremely instructive.

Securing the Future

The crisis in the Middle East has made it more difficult for central banks to preserve the value of their money.

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Here in the Federal Republic we can add the consequences of unification, for instance, a burgeoning federal budget deficit. In other countries we are seeing the results of years of budget deficits and bad decisions by banks. Banking systems and financial markets will not be unaffected by these events.

But it would be incorrect to call for soft options. We learned an expensive lesson on that score in the 1970s: such action would rock the credibility of our central banks and thereby the stability of our economic and social systems. We must see to it that international cooperation operates smoothly and that the banking system and financial markets are able to cope with their current problems, just as they had to adapt over the last 20 years to other vicissitudes—from the collapse of the Bretton Woods System and two oil crises to the Latin American debt problem. It was precisely in such situations that our economic system demonstrated its flexibility and efficiency. In contrast to the systems in Eastern Europe that are now disappearing from the scene. Our work will serve to make our system even more secure against the threat of crises in the future. □

German Finance Minister Theo Waigle displays a mock-up of coin commemorating German monetary union.

Überblick

Währungspolitik und Bankenaufsicht

Seit dem 3. Oktober gibt es nur noch ein deutsches Parlament und eine deutsche Regierung. Ich glaube, daß dies eine wesentliche Voraussetzung dafür ist, daß es in den neuen Bundesländern aufwärts gehen wird. Ich mache mir keine Illusionen über die finanziellen Dimensionen dieses Prozesses, aber ich meine, wir sollten nicht nur über die "Kosten" der Vereinigung sprechen, sondern auch über die Chancen.

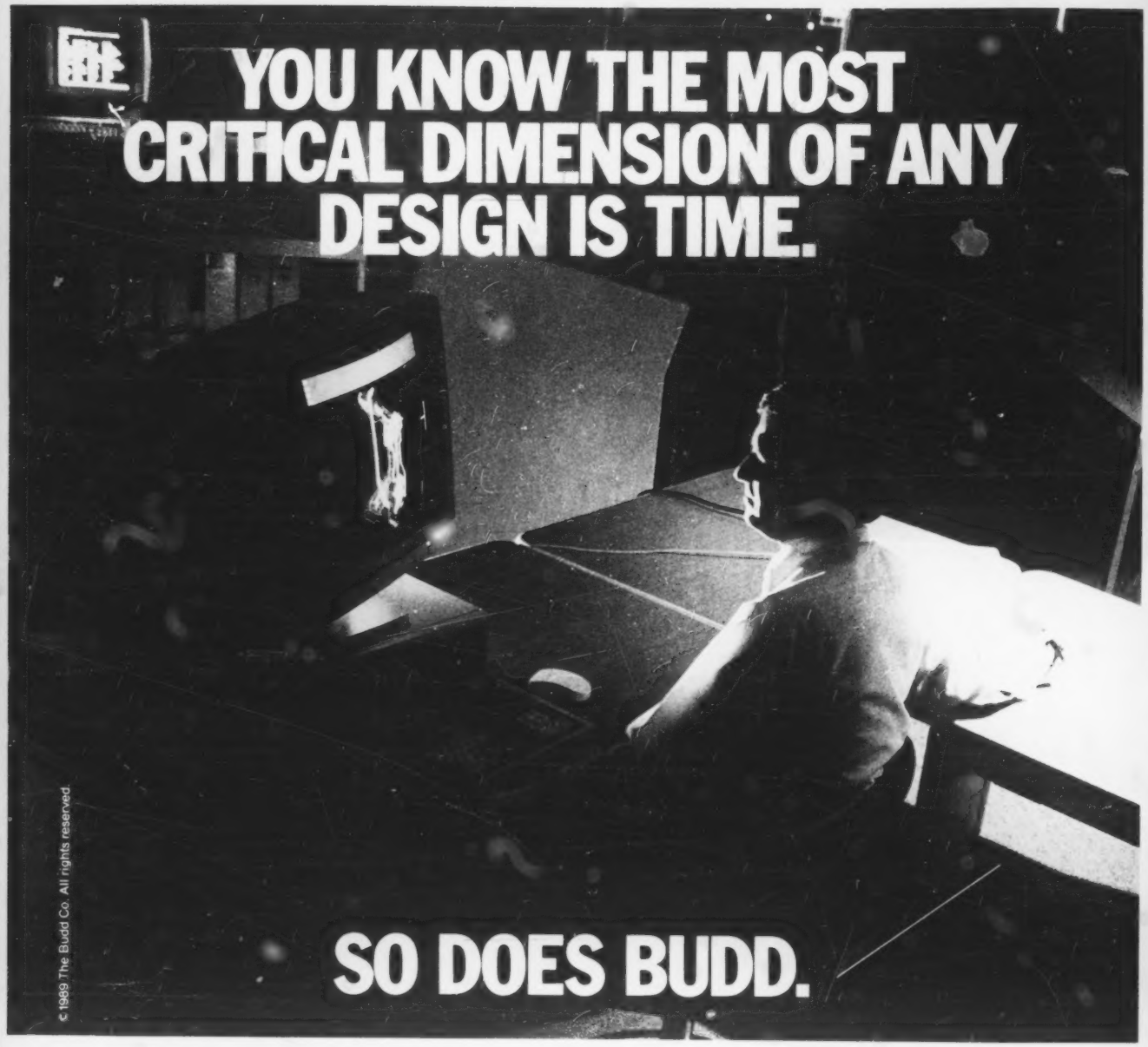
Das bundesdeutsche Kreditwesengesetz hat sich bewährt und dafür gesorgt, die bank- und kreditgeschäftlichen Risiken zu begrenzen. Nationale Aufsichtssysteme stehen heutzutage allerdings nicht mehr isoliert nebeneinander. Zusammenwachsende Finanzmärkte, neue Finanzinstrumente, die die Lücken zwischen Marktsegmenten schließen, und die Globalisierung der Märkte erfordern eine intensive Zusammenarbeit der verschiedenen nationalen Aufsichtsinstanzen über die Grenzen hinweg. Dabei ist schon einiges an Harmonisierung und Vereinheitlichung erreicht worden.

Vor dem Hintergrund ausgeprägter Marktschwankungen und zunehmender Schwierigkeiten im Kreditgewerbe gewinnt die Forderung nach einem strengeren Eigenkapitalregime auch in anderen Ländern an Boden. Nach meiner Ansicht ist die Expansion vieler Banken, bezogen auf das derzeitige Eigenkapitalniveau, schon viel zu weit gegangen. Auch andere Zentralbanken sehen die Frage der Eigenkapitaldefinition inzwischen offenbar in einem neuen Licht. Ich halte es deshalb für angezeigt, international über eine Härtung der Eigenkapitalbasis von Banken nachzudenken. Um Ungleichgewichte zu vermeiden, sollten auch Wertpapierfirmen in diese Überlegungen einbezogen werden.

Immer mehr setzt sich die Meinung durch, die Geld- und Währungspolitik solle in die Verantwortung einer Zentralbank gelegt werden, die per Gesetz verpflichtet ist, für ein langfristig stabiles Preisniveau zu sorgen und die unabhängig ist von Weisungen der Regierung.

Diese Einsicht sollte auch die europäische Regierungskonferenz bestimmen, die Ende des Jahres zusammentritt, um die rechtlichen Voraussetzungen für eine Europäische Wirtschafts- und Währungsunion zu schaffen. Dabei wird es in erster Linie darum gehen, wie eine zukünftige europäische Zentralbank organisiert werden soll. Das Ziel ist äußerst ambitiös, und es kann nur erreicht werden, wenn alle europäischen Regierungen tatsächlich bereit sind, ihre geldpolitischen Souveränitätsrechte auf eine supranationale Institution zu übertragen. Solange die Vertragsänderung nicht beschlossen und von allen Parlamenten ratifiziert ist, macht es wenig Sinn, einen festen Termin für den Übergang in eine "zweite Stufe" festzulegen. Die Diskussion um das Datum des Termins für den Eintritt in die "zweite Stufe" lenkt von den wirklichen Problemen nur ab. Wir sollten uns jetzt auf die inhaltlichen Fragen konzentrieren, die auf der Regierungskonferenz entschieden werden sollen, und darauf, die erste Stufe der Wirtschafts- und Währungsunion zu einem Erfolg zu machen.

Mit der Krise im Mittleren Osten ist die Aufgabe der Notenbanken, für Stabilität des Geldwertes zu sorgen, noch schwieriger geworden. In der Bundesrepublik kommen die Konsequenzen der Vereinigung, u.a. eine stark zunehmende Staatsverschuldung, hinzu. In anderen Ländern sehen wir die Folgen jahrelang zu großer Budgetdefizite und falscher Entscheidungen in der Bankenpolitik. Finanzmärkte und Bankensysteme bleiben von diesen Vorgängen nicht unberührt. Unser Wirtschaftssystem hat sich gerade in Krisen als flexibel und effizient erwiesen; im Gegensatz zu den Systemen im Osten, die jetzt von der Bildfläche verschwinden. Unsere Arbeit dient dazu, das System krisensicherer zu machen. □



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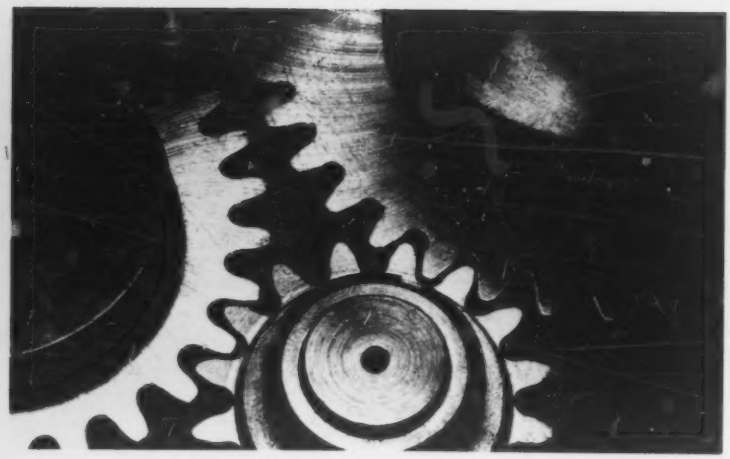

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Eastern Germany poses one of the most promising markets for foreign investment during the 1990's. After a relatively brief period of fundamental economic reconstruction, underpinned by massive public investment from the Federal German Government, eastern Germany will undergo one of the most rapid economic expansions in modern European history. Early investors will reap the benefits of a relatively inexpensive and extremely skilled labor force. Most importantly, they will gain free access to a unified German and integrated European Community market, which promises substantial expansion during the next decade.

Three Common Misperceptions

American firms have not shown as much apparent interest in investing in eastern Germany as they have in several other of the post-Communist European states. Although interest has picked up significantly since political reunifcation in October, we believe reluctance reflects three common misperceptions about the nature and rapidity of change in eastern Germany.

First Misperception: Prime Assets Have Been Purchased by West Germans. It is Not Even Worth Investigating.

West Germans have obviously been in the forefront of investigating opportunities in eastern Germany, as they have been throughout eastern Europe. This is natural given the cultural and linguistic ties between West Germany and the five new German states and the fact that eastern Germany is now an integrated part of the unified German economy.

Nevertheless, expressions of interest are different from tangible investment. Many West German firms have confirmed that they will supply demand in the five states by utilizing excess capacity in existing plants in western Germany. The field for investment remains wide open. The German government recognizes that German capital alone will not meet the significant requirements of eastern industry. The Federal Cartel Office has already expressed concern about the potential domination of western entities in the east. Privatization of existing state-owned industry will take place through the "Treuhandanstalt", or national trust company, and no specific preference will be given to German investors. The Federal Government will provide a

The German government recognizes that German capital alone will not meet the significant requirements of eastern industry.

This report was prepared by Dirk W. Damrau and John F.H. Purcell in New York and by Gerhard A. Baumgard and Stephen E. Du Charme in Berlin

West German Interior Minister Wolfgang Schäuble (right) and Gunther Krause (left), leader of the East German delegation, sign the agreement on all-German elections.

12% subsidy until June 30, 1991 (8% from July 1, 1991 to June 30, 1992) to all investors in the East German states. Regional subsidies and specific tax concessions could magnify an investment even more.

Second Misperception: The Economic Transition will be Confusing - an Investor Should Wait a Year or Two Until Things are Clearer.

With Economic union on July 1 and political union on October 3, eastern Germany is legally, politically and commercially an integral part of the Federal German economy — one of the most open of the world's economies. Currency conversion, political stability and foreign investment regulations are no longer impediments to investment. Despite the serious challenges facing the people of eastern Germany in the short term, the economic transition will undoubtedly proceed much more quickly than originally anticipated, much as political unification has been.

The next six to nine months are a window of opportunity for investors to lay the base for participation in one of the most promising growth markets in the 1990's. West German and international firms that merely signed letters of intent in the months since the fall of the Berlin Wall have begun to solidify their intentions. An immediate serious investigation of opportunities is appropriate.

Third Misperception: There is Nothing of Any Value in Eastern Germany.

The picture painted in the Western media of antiquated industry, mass emigration and environmental disaster throughout the region is far from reality. Despite the failure of centrally planned economies to compete with the free market systems of North America, East Asia or Western Europe, the human and infrastructural foundation exists to make a remarkably rapid recovery from the economic and enterprise mismanagement and the capital underinvestment of the past 40 years. As much as the socialist system under-invested in capital modernization, it over-invested in education and training. Moreover, because of eastern Germany's relative underdevelopment as part of the Federal Republic, the region will receive hundreds of billions of deutschemarks from the Federal government to bring its telecommunications, rail, road, housing and

The revolutionary developments in eastern and central Europe . . . complement . . . the drive toward an integrated European market by 1992.

environmental standards up to rigorous West German levels by the end of this decade. The key to eastern Germany's recovery and its primary attraction to investors is the combination of high-quality human capital, rapidly increasing productivity as capital is modernized and labor is redeployed, and relatively low initial wages in comparison to the West.

German Unification: Cornerstone of a European Boom in the 1990's

German unification is taking place in a uniquely positive economic and political environment. Despite the uncertainties facing the residents of the five East German states in their rush toward the free market and the prospects of higher energy prices as a result of recent events in the Middle East, unification with the West is occuring at a time when the Federal Republic enjoys an enormous capital surplus and continental Europe looks forward to robust economic expansion. The revolutionary developments in Eastern and Central Europe over the past year complement the pre-existent optimism embodied in the drive toward an integrated European market by 1992. Investment in eastern Germany will be a unique and particularly advantgeous way to participate in the creation of a new European economy. □

Überblick

Die neuen Bundesländer: eine Chance für amerikanische Investoren

Die neuen Bundesländer sind einer der vielversprechendsten Märkte für Auslandsinvestitionen während der 90er Jahre. Nach einer relativ kurzen Zeitspanne grundlegender wirtschaftlicher Erneuerung, untermauert durch massive öffentliche Investitionen seitens der deutschen Bundesregierung, dürfte in Ostdeutschland eine der steilsten Wirtschaftsexpansionen in der neueren europäischen Geschichte stattfinden. Kurzentschlossene Investoren können von relativ kostengünstigen und außerordentlich gut ausgebildeten Arbeitskräften profitieren. Aber der wichtigste Aspekt ist, daß sie in den Genuß des freien Zugangs zu einem vereinten Deutschland und damit zum EG-Binnenmarkt kommen, der bedeutendes Wachstum während der nächsten zehn Jahre verspricht. □

Appendix A: An Anatomy of East Germany

Government

The German Democratic Republic became a Western-style parliamentary democracy with its first free elections on March 18, 1990. The German Democratic Republic ceased to exist on October 3, 1990 when the five eastern German states became part of the German Federal Republic. A unified German parliament was elected on December 2, 1990, when eastern Germany essentially acceded to the Federal German political system. Free elections to the newly constituted state (Land) governments were held on October 14, 1990.

The party composition of the Federal Republic's 662-member lower house of parliament (the Bundestag), is as follows.

Party	Representatives
Christian Democratic Union	319
Free Democrats	79
Social Democratic Party	239
Democratic-Socialist Party (formerly the Communist Party)*	17
Alliance '90/Greens*	8

**These two parties based in eastern Germany gained parliamentary representation due to a one-time clause in the election law exempting them from the 5% vote threshold nation-wide.*

Following the all-German elections on December 2, 1990, Prime Minister Helmut Kohl of the Christian Democratic Union will again form a coalition Government with the Liberal Democratic Party of Foreign Minister Hans Dietrich Genscher.

Geography and Demography

Eastern Germany is less densely populated than West Germany, with 150 inhabitants per square kilometer compared with West Germany's 250. The population is heavily concentrated around metropolitan Berlin and in the industrial belt of southern East Germany in an arc stretching from Magdeburg to Dresden. The coastal plain, comprising the northern half of East Germany, is primarily rural and has a relatively large agricultural sector. The industrialized south of the country is hilly and contains large forested areas, including the Harz and Thuringia Forests and the Erzgebirge.

Economic Structure

Even before the wave of democratic revolutions in 1989, East Germany was the most prosperous and highly industrialized of the socialist countries.

Southern East Germany, including the regions of Saxony and Thuringia, historically has been the center of one of Europe's most densely industrialized regions, stretching eastward through southern Poland and south through western Czechoslovakia. In 1988, industry comprised 65% of all economic production. Agriculture and forestry, heavily subsidized by the state, accounted for 10% of all economic production — higher than the 2% share in the Federal Republic. The services sector is extremely underdeveloped compared with virtually all free market economies and obviously is a major target for investment and expansion.

Population: 16.3 million

Major Urban Centers:
Metropolitan Berlin (4,000,000 population),
Leipzig (700,000),
Dresden (680,000),
Chemnitz (420,000),
Magdeburg (310,000),
Rostock (260,000),
Halle (250,000)

Gross Domestic Product: M350 billion (1989);
M21,500 per cap ($7,000, or roughly equivalent to Spain)

Industry Structure

Eastern Germany's industrial base is extraordinarily diverse for a region of its size. Capital machinery and metal-working comprise 40% of all industrial production.

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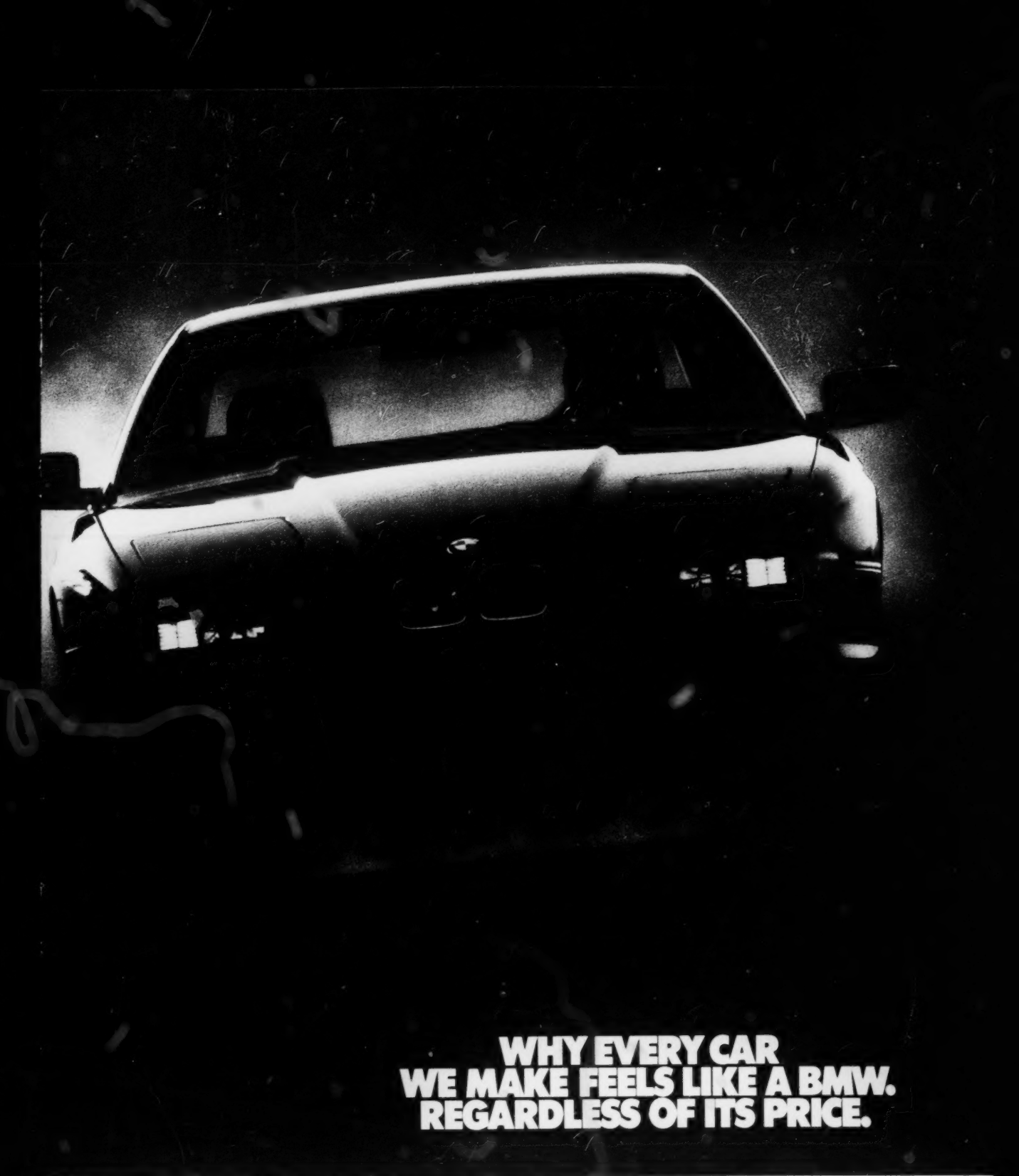

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Chemicals, electronics and transportation equipment are other significant industrial sectors.

Exports

East Germany was primarily an exporter of manufactured products. Machinery, capital goods and transport equipment accounted for almost half of all exports in 1988. Chemicals comprised another 10%, and finished consumer goods represented more than 16%. East Germany's major exports to the West include chemicals, machinery, processed metals, and furniture. The Soviet Union was East Germany's largest trading partner, and transactions with East Germany comprised 10% of all Soviet trade. Almost 85% of East Germany's exports to the Soviet Union were manufactured goods in 1988, while 60% of East Germany's imports from the Soviet Union were raw materials. Over the past two years, East Germany's trade with the Soviet Union and other former Eastern Bloc countries has stagnated, while trade with the European Community has picked up significantly. This process has accelerated since economic and social union on July 2, 1990.

The Soviet Union was East Germany's largest trading partner, and transactions with East Germany comprised 10% of all Soviet trade.

Appendix B: Economic Unification — A 1990 Progress Report

Eastern Germany has come further toward establishing an auspicious climate for foreign investment and a firm foundation for economic recovery than any of the other former communist states in Eastern Europe. The driving forces behind this transformation have been the generous financial support of the Federal Government and a firm commitment by the vast majority of the residents of eastern Germany to the precepts of liberal democracy and the free market. The monetary, economic and social union on July 1, 1990, and the accompanying legal actions institutionalized the transformation of the eastern German economy into one indistinguishable from the industrialized economies of Western Europe.

Federal Government Support

Direct and indirect Federal financial and economic assistance is important for ensuring that the transition is as rapid as possible; it also will cushion the inevitable social dislocations in terms of unemployment and emigration caused by the revolutionary restructuring of the East German economy. The most obvious manifestation of such support was the DM120 billion in liquidity provided by the Bundesbank to convert and then eliminate the entire supply of East German marks. The following section summarizes existing commitments by the German public sector toward modernizing the infrastructure in eastern Germany and mitigating the disruptions inevitably caused by the economic transformation. The volume of such support over a relatively short period will be unique in Eastern Europe.

The Treaty on Economic, Monetary and Social Union, which came into force on July 1, 1990, included the following items:

- A DM115-billion German Unity Fund was established to be used over the next four and a half years to assist with the financing of eastern Germany's reconstruction. Expenditure savings in the regular Federal budget were expected to provide DM20 billion of the total, while DM95 billion was to be raised through the issuance of bonds or loans carrying the guarantee of the Federal German Government.
- The West German Government funded the East German Government's budgetary deficit through the end of 1990, which is projected to reach DM42 billion. The German Unity Fund should provide at least DM22 billion, with the balance funded by short-term East German Government borrowing (with West German Government guarantees) in Western capital markets. In August 1990, the West German Government withdrew its 1991 budget proposal in anticipation of a united German 1991 budget.
- Around DM2.75 billion will be provided from West German Federal Government revenues beginning in 1990 to set up West German-style unemployment and social security funds.
- The East German privatization agency, the Treuhandanstalt, received approval to borrow as much as DM17 billion for the provision of liquidity and restructuring credits to East German industry through 1991 (DM7 billion in 1990 and DM10 billion in 1991).
- DM6 billion in subsidized credits has been provided from money accumulated in Marshall Plan aid accounts to spur investment and private sector activity in East Germany.

West Germany's Post Minister announced . . . plans to spend DM55 billion . . . to modernize East Germany's telecommunications infrastructure.

The following are additional pledges of assistance by German Government officials:

- In June, West Germany's Post Minister announced that Deutsche Bundespost Telekom plans to spend DM55 billion over the next seven years (1991-97) specifically to modernize East Germany's telecommunications infrastructure.
- The German Transport Ministry has estimated that at least DM200 billion will be needed over the next decade to modernize East Germany's road and rail infrastructure.
- Economic union has committed East Germany to phase in over the next nine years West Germany's strict environmental protection standards. The German Government will provide assistance to help existing entities adjust to this new regime and to promote toxic waste clean-up.

Helmut Kohl is celebrated as the "Chancellor of Unity" at the CDU party convention in Hamburg.

• As a relatively underdeveloped region within the European Community after December 1990, East Germany will be entitled to significant European assistance under the Community's regional development programs.

Challenges Facing Eastern Germany and Initiatives to Meet Those Challenges

The following section is a more detailed analysis of specific actions taken by the new East German authorities to transform their centrally planned, bureaucratically stifled economy into one in which the free market allocates resources.

Privatization

In March 1990 the interim Modrow Government established a national trust company, the Treuhandanstalt, which was to manage the enormous enterprise holdings of the East German state. With economic, monetary and social union on July 1, 1990, the Treuhandanstalt was transformed into a privatization and restructuring entity whose activities and responsibilities were delineated by new legislation enacted on July 1. According to this law, the primary responsibilities of the Treuhandanstalt are to privatize restructured firms (or to privatize unrestructured firms that will then be restructured by the new ownership), recycling the proceeds to repay Treuhandanstalt debt, and to encourage widespread equity ownership by the East German population. Treuhandanstalt authorities originally asserted that the bulk of this transformation could take two to three years, although recent statements have indicated that this process could take at least a decade. There has been intense discussion during the last months of 1990 about the relative priority that should be placed on restructuring assets before they are sold to the public. By

. . . the primary responsibilities of the Treuhandanstalt are to privatize restructured firms

the end of 1990, DM1.5 billion will have been realized from privatizations. (For a more detailed discussion of the Treuhandanstalt's activities see Salomon Brothers' publication, A New Approach to Privatisation in East Germany, December 3, 1990 by Thomas Mayer, London.)

As part of the privatization effort, the Treuhandanstalt is carrying out the following responsibilities:

• Turning the more than 8,000 nationalized companies (Volkseigene Betriebe or VEB) under the control of the 127 national conglomerates (Kombinate) into joint stock companies (Aktiengesellschaft or AG) or limited partnerships (Gesellschaft mit beschraenkter Haftung or GmbH).

• Ensuring liquidity through the end of 1990 to potentially competitive firms caught in the immediate post-currency conversion credit crunch. East German authorities pledged to provide liquidity to all firms (prior to any accurate judgment of potential competitive viability) until October 1990, but firms have begun to be liquidated since

"Checkpoint Charlie", long a fixture of post-war Berlin, has been relocated to a museum.

political unification.

• Restructuring potentially competitive firms so that they can meet the challenges of free market competition. At least DM7 billion will be raised in 1990 and DM10 billion in 1991, collateralized by the assets of the trust, specifically to fulfill the liquidity and restructuring obligations.

Property Rights

The clarification of property continues to be one of the most difficult challenges facing the German Government, as well as potential investors in eastern Germany. Nevertheless, the German Government has attempted to clarify the situation, particularly the status of private owners who had their property confiscated in one of the communist government's waves of nationalization. Germans who had property nationalized after 1949 (the creation of the German Democratic Republic) were required to file claims by October 13, 1990. Over one million claims have been filed by the deadline, covering nearly 40% of the assets in eastern Germany. A law passed together with the political unification treaty stipulates that assets which have outstanding claims on them can be sold if the sale promotes the creation of jobs, an increase in the housing stock or infrastructure improvement. Following verification of the validity of the claim, the property will either be returned or the owner will receive compensation for the loss of property. In many cases, former owners will receive monetary compensation because the following types of property will not be returned:

• Property currently used by the community (for streets, playgrounds or schools, for example).

• Property that is currently part of a larger housing development or apartment complex.

• Commercially or industrially used property.

• A commercial entity that has been fully incorporated into a new or larger entity.

• Property or buildings acquired by individual East German citizens in "an honest and open fashion" (that is, not through blackmail or Communist Party connections).

Most enterprises, communities, regional governments, and organizations have sought possession of their property, but they have been hesitant to sell the property until all ownership claims are settled. Although private property rights have been substantially clarified and foreign ownership is technically more open in eastern Germany than anywhere else in Eastern Europe, claims to ownership of formerly public property have impeded the creation of a truly open property market.

Status of Foreign Investment

As an integral part of the German Federal Republic, East Germany's economy is legally as open as that of West Germany. Municipal and regional officials in eastern Germany particularly welcome foreign investment, both as a complement to the investment that will naturally come from West Germany and as a way to avoid a complete takeover by West German business. In contrast to certain other Eastern European nations, economic nationalism on the part of authorities will play little role in the eventual privatization of industry in eastern German industry.

Liquidity and Corporate Debt

In the wake of currency union, virtually all East German companies have seen their new deutschmark revenue streams contract severely, while their wages and debt service bills have remained constant. The Treuhandanstalt theoretically was committed to ensuring liquidity at least

An . . . impediment to independent restructuring and viability is the . . . DM150 billion in longer-term corporate debt.

until the beginning of October, but applications for credit in July alone were so great (DM24 billion) that guarantees were provided in an indiscriminate manner on less than half of the liquidity credit for which applications had been received. Commercial banks were initially hesitant to provide credit without explicit Treuhandanstalt guarantees, given the undetermined long-term viability of many East German enterprises and the uncertain status of permanent claims on property (which, therefore, cannot be pledged as collateral). By the time the liquidity program was halted in October, the Treuhandanstalt had advanced almost DM31 billion in credit. These loans will not have to be repaid by March 1991, rather than October 1990. Treuhand officials have estimated that eastern German enterprises may not be able to repay up to half of this credit.

An equal impediment to independent restructuring and viability is the at least DM150 billion in longer-term corporate debt. For years, East German companies were forced to give up any operating surplus and to borrow from official credit institutions for investment requirements. In September 1990,the East German Ministry of Finance

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proposed that the Treuhandanstalt assume all the outstanding liabilities of East German enterprises at the time of currency union (the Deutsche Institut für Wirtschaftsforschung detailed a similar proposal in November 1990). Although this may be a reasonable solution to the problem of enterprise illiquidity and may enhance the attractiveness of investing in eastern Germany, the already huge costs of unification make this an unpopular suggestion with the Federal Government.

Taxation System

Eastern Germany has essentially accepted a progressive Western European-style system of taxation. On July 1, 1990, East Germany adopted the West German tax system with some exceptions that will be phased out by December 31, 1990. West German value-added and other consumption taxes (on alcohol, cigarettes and gasoline, for example) are in effect, as are income-indexed contributions to the national social security funds. The West German corporate tax system will come into effect on January 1, 1991. Some special tax benefits aimed at enhancing economic activity are under consideration.

Accounting Standards

East Germany has adopted the West German accounting system, although its will be months before all of the precepts are fully implemented. The Treuhandanstalt originally asked all East German enterprises to present by October 31, 1990, a deutschmark "opening balance" for July 1, 1990, adhering to Western accounting principles. An opening balance and a business plan outlining how the company management intends on ensuring the company's longer-term survival were to be prerequisites to receiving more official credit. In fact, only about 1,000 of East Germany's 8,000 enterprises met the October target, so the deadline was extended to February 1991. In theory, the new balance sheets will be audited by the end of April 1991.

Even with thousands of West German accountants operating in East Germany, even the new February deadline may be ambitious. Existing financial records are of little use to potential Western investors, and in most cases, balance sheet information will have to begin with a physical inventory of a company's assets. The Treuhandanstalt is overseeing the presentation of useable financial records as part of its program of converting the former People's-Own Enterprises (VEBs) into Western corporate entities (AGs and GmbHs) and determining which companies can be reorganized and made competitive and which should be liquidated.

Banking System Modernization

On July 1, 1990, the banking and financial system of West Germany was accepted in East Germany. West German and foreign banks now can carry on activities in East Germany just as they do in the West.

Freeing of Domestic Prices

Prices on all consumer goods have been freed. Domestic producer and supply prices now are determined by the free market, although transportation inefficiencies resulted in price gouging in certain areas immediately following currency union. Socially sensitive items, such as rents and public utility prices (electricity, water and heating), may be subject to more gradual free market discipline.

Trade With the Eastern Bloc

As of January 1991, trade between East Germany and the other members of Comecon, including the Soviet Union, will be accounted for in hard currency; however, it may be two to three years before the hard currency accounts are actually settled and trade is conducted on a continuously settled hard currency basis. Trade with the Soviet Union has declined significantly over the past several months, although the U.S.S.R. and other East European countries will remain important trading partners for a united Germany.

Environmental Problems

New investment in East Germany will have to conform to West German pollution control laws. Existing East German enterprises have until the late 1990s to meet the much stricter West German standards. German authorities will invest significant resources in toxic waste clean-up and land rehabilitation during the 1990s to reverse the damage done by four decades of environmentally insensitive central planning.

A united Germany's second Frankfurt, on the Oder River which represents the border with Poland.

Appendix C: Prospective Areas for Investment

The following list of potentially attractive areas for investment was developed by Salomon Brothers research and corporate finance professionals in consultation with East German professionals.

Machinery
Computer and word processing peripherals
Electrical and diesel-electric locomotives
Consumer electronics, such as digital television receivers
Electronic relay technology
Machine tool drive and control systems
Metal-cutting tools and similar products from durable alloys
Metal-cutting machine tools
Machinery for food processing and packaging
Plastic processing machinery
Machinery and related equipment for the printing industry
Precision optics and optical equipment
Communications technology
Microelectronics, selected sectors
Refrigeration engineering technology
Air purification and environmental control technology
Hydraulics
Bearings production
Fittings and fasteners
Home appliances and white goods industry
Foundries
Automobile and automobile-parts production
Agricultural machinery and equipment
Truck and truck-components production
Lighting industry
Diesel engines and generators for ships
Rail cars for trains
Computer software

Construction
Ceiling tile production
Wall brick production according to the ITO process
Home heating facilities

Transportation Systems
Transport equipment
Transport services

Heavy Industry
Machinery and equipment for brown coal mining
Reconstruction or conversion of brown coal power plants
Power generation and distribution systems
Use of by-products of brown coal mining
Plants to process secondary raw materials with copper content
Speciality steel production
Production facilities for polyester-based specialty film
Antibiotic processing facilities, including peptide-based medicines
Construction of special molecular sieves for material separation
Pulp and paper facility for the paper industry
Expansion of latex plant
Photo-chemical products
Production facility for basic and tertiary organic materials, such as acetic and maleic acids

Light Industry
Glass industry
Particle and fiber-board production equipment
Equipment for carpet mills
Production of shoe-making machines
Expertise in restructuring, modernizing & rehabilitating the textile industry
Expertise in restructuring the furniture industry

Food Processing
Slaughter houses and stockyards, including poultry processing
Milk-processing facilities
Potato cultivation and processing
Rehabilitation of beet sugar factories

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Appendix D: A Unification Calendar

Aug.-Sept. 1989	Hungarian border opened, initiating a rush of more than 500,000 East Germans to the Federal Republic.
October 7, 1989	Fortieth anniversary of the German Democratic Republic; beginning of anticommunist demonstrations.
October 18, 1989	Erich Honecker resigns as chairman of the East German Communist Party (SED), heralding the end to the communist regime.
November 9, 1989	Borders between East and West Germany are opened, and the Berlin Wall falls.
January 25, 1990	Foreign investment law permits joint ventures.
February 2, 1990	Communist Government sets elections for March.
March 18, 1990	Christian Democrats and allies achieve an unexpected victory in the first free elections in East Germany since 1932.
May 6, 1990	Local elections in East Germany reconfirm Christian Democrat support.
May 21, 1990	A treaty on economic, monetary and social union is signed by both Governments.
July 1, 1990	Economic unification. The West German deutschemark becomes the official currency of East Germany.
July 6, 1990	Start of negotiations on a treaty for political unification.
September 12, 1990	Two plus Four Talks begin in Moscow aimed at clarifying the dissolution of the extra sovereign powers of the four WWII allies in Germany.
October 3, 1990	Formal political unification between East and West Germany East Germany become part of the European Community.
October 14, 1990	State elections in East Germany.
November 14, 1990	Treaty signed between Poland and Germany recognizing the Oder-Neisse rivers as as the permanent border between the two countries.
December 2, 1990	Elections to a united German parliament. Kohl Government reelected.

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Investitionen und Handel mit Osteuropa: Chancen und Probleme

Investment and Trade with Eastern Europe: Opportunities and Limitations

Otto Wolff von Amerongen
Chairman,
East-West Trade Committee of the Associations of German Business and Industry

I have been actively engaged in doing business with Eastern Europe for decades and have also been involved in East-West policy. As Chairman since 1956 of the German business community's Eastern Committee, I have observed with interest and admiration the profound political and economic transformation of an entire region that once seemed impermeable to change.

With the unification of Germany, the territory encompassing the EC has become enlarged . . .

Nevertheless, I will intentionally not start with Eastern Europe, but with other developments on the international scene. First of all, the most important of these general developments is, in my opinion, the trend towards growing global interdependence. Second, this means that international companies will have to become even more strongly global in their operations. And third, this means that our national economies will have to intensify their cooperation because they are losing their autonomy, if they haven't done so already.

Within this overall perspective, the coming single European market will offer Western Europe the opportunity to negotiate the road into the year 2000 together, to harness the strength of their economies and in doing so to reach a parity of opportunity with other regions of the world. The trend towards regional groupings can be observed everywhere, in the countries of Southeast Asia and also in North America. You have only to consider your free trade pact with Canada, the discussions you are holding with Mexico, and even the consideration of a U.S.-Japanese free trade zone.

The democratic revolutions in Eastern Europe have not been without their influence on the political concept of the European Community. The EC's original political schedule provided for the completion of the single market, setting economic and monetary union in motion, and taking important steps toward political union only at the end of 1992. Only at that point would discussions be held with countries whose applications for membership, for example, Austria, had a good chance of being accepted. With the unification of Germany, the territory encompassing the EC has become enlarged within a short period of time. In addition, we face the question of how we should respond to Hungary, Poland, and Czechoslovakia. Certainly, if they should seek entry, we can't leave them sitting at the door. On the other hand, we can't allow these considerations to slow down the process of internal consolidation. This presumes, of course, that they have adapted themselves to the basic requirements for a market economy.

For you in the United States, the events in Europe may

seem a long way off, particularly since the Middle East crisis is of far greater significance to you. For us Germans, though, they involve our immediate neighbors. Up to now, many in the West have overlooked an important fact: the Iron Curtain, now gone, not only divided Western and

. . . the Iron Curtain . . . not only divided . . . politically; it also reinforced the gulf between the standards of living in East and West.

Eastern Europe politically; it also reinforced the gulf between the standards of living in East and West. But open borders will no longer permit this disparity.

The alternatives are quite clear: either we Western Europeans help the people in the East to improve their lives at home quickly or they will come over to us in great masses. Quite naturally, Germany would be the first country of destination for most of them.

Potsdamer Platz in Berlin in 1914 (top) and today (bottom). It is destined to become the "Times Square" of a united Berlin.

Soviet Dilemma

I have visited Moscow twice in the past weeks in what was for me a completely new capacity, namely as a sort of instructor in free market economies. I do not intend to describe the discussions involving our small group of German experts and Soviet economists, but merely want to make one point: everyone there wants a market economy, but none of them have any concept of what it is and especially not of what consequences it will entail. In my opinion, three years have been wasted under Gorbachev. And that is why they are operating under such extreme time pressure. In this process, a strengthening of the federative character of the Soviet Union will play a role, not merely due to political considerations, where the U. S. seems too often to be transfixed by the Baltic states.

The entire planned economy will also have to be replaced through political reform in order to create more centers of influence for the specific problems of each of the republics. This will create a higher degree of flexibility in the economy, but the federative questions involve political debates, quite unnecessary in my eyes, that are prominently identified with Boris Yeltsin. As a result, there is the question, not only for an old Eastern hand like myself but even more so for business circles in the United States: which business trusts, committees, or ministries do you contact, and who has the authority to make decisions?

From the long list of problems, I will cite the following examples, without going into unnecessary detail. The Russian Republic will have its own Ministry of Foreign Trade, which will support the state foreign trade corporations rather than command them.

- Will the Soviet Union and the individual republics conclude commercial treaties with each other?
- What will be the effects of this new system on foreign trade relations, for example, with Europe?
- For instance, will the supply of natural gas be under the authority of the Soviet Union or the Russian Republic?
- Who will negotiate concessions for crude oil and natural gas exploration in the USSR: the Soviet government, the Russian Republic, or the Republic of Azerbaijan?

Even if we agree with the concept of a central bank system, such as in the United States and Germany, that is still a long way from a private banking system with which foreign business can deal. So there are questions upon questions that are particularly significant for the creation of

These opportunities will most certainly not be offered Europe a second time . . .

long-term business ties, even if 100 percent ownership should be permitted in the absence of the concept of joint ventures. This question is now obsolete: as of November1, 100 percent ownership will be permitted.

Opportunities and Challenges

It is extremely important that the unified Germany created on October 3 should be woven into a European

concept. We do not desire an obsolete concept under which Germany views itself as a national state, but as a European Germany. Our joy is not shared unconditionally in many countries, due to concerns of German economic dominance in Europe.

American companies operate in Germany on the basis of complete equality. Indeed, they do so very successfully and, in the case of the automobile industry, are producing better cars there than their parent companies in the United States. In this sense, I would like to take this opportunity to express the wish that American businessmen will invest in what used to be known as the GDR. Again, at no disadvantage vis-a-vis German firms. This alone would weaken many of the reservations expressed in the international press about German dominance in the former GDR. But none of us should have any illusions about the difficulty of the tasks we confront.

Due to the pressure from our duties and responsibilities in Eastern Germany, the United States may be sure that the so-called Germanic element — as our Latin neighbors refer to it — will not dominate the single European market.

For decades, the GDR and Eastern Europe shut themselves off from both the European and international division of labor — with results that are well known. If they are now to integrate themselves into this division of labor, that will mean tremendous pressure on them to adapt and also — admittedly to a significantly lesser extent — on the European Community.

Despite these problems and pressures, though, we should all view the dramatic changes in Central, Eastern, and Southeastern Europe primarily as an opportunity. And I consider it a great one.

The debates between economists in the Soviet Union have become opaque.

In the first place, it represents the chance to strengthen a greater Europe without borders, which will serve the interests of everyone, even those in peripheral regions.

Secondly, the chance to enter into completely new, fruitful economic relations with medium-term, productive partners on the other side of the former Iron Curtain.

And third, the chance:

- to release a substantial portion of the expenditures generated by the division of Europe for productive investment,
- while simultaneously improving the structures of these countries,
- raising their productivity to a level comparable with that of Western Europe,
- and in the process reduce the unfortunate disparity in the standards of living between the two regions.

These opportunities will most certainly not be offered Europe a second time because this transformation has occurred so dramatically, so surprisingly quickly, and so profoundly. And I refer to the economic as well as the political aspect. This offers a unique opportunity for taking part in the forefront of the construction of a market. This would constitute the best peace policy we could pursue as we try to bridge existing differences in affluence that were created by the Marxist planned economy.

Environmental costs will represent a large share of the bill for reconstruction in eastern Germany. Above, a lignite-fuel power plant in Hirschfelde in eastern Germany.

Naturally, the regeneration of the mismanaged economies in Central and Eastern Europe will require billions. And I would add that the reconstruction will also cost government money. The totally decrepit infrastructure everywhere in Eastern Europe will have to be nursed back to health with investments that in some cases will be gigantic. But the transition to a market economy and an entrepreneurial management mentality in the future will release latent forces of productivity. I believe that significant growth in productivity over the next few years is a realistic expectation.

Germany is prepared to support the political reform process and economic reconstruction everywhere in Eastern Europe on a broad basis. To be sure, our aid can only help them to help themselves. Individual initiative will be much in demand. Our partners in the East would be badly advised to rely only on Western support. First and foremost, they will have to do the job themselves. They will have to create the social, cultural, welfare, legal, and economic framework to ensure that our aid can be effective. It is totally false to believe that a purified socialist system could somehow achieve the success that eluded Marxist socialism throughout the world for more than 70 years.

One Look At Audi's Past Tells You Why The V8 Quattro Is The Car Of The Future.

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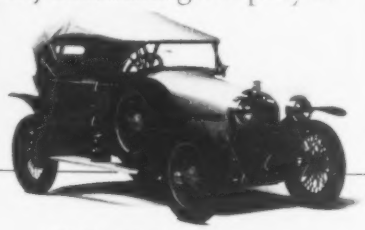
Aerodynamic Beginnings

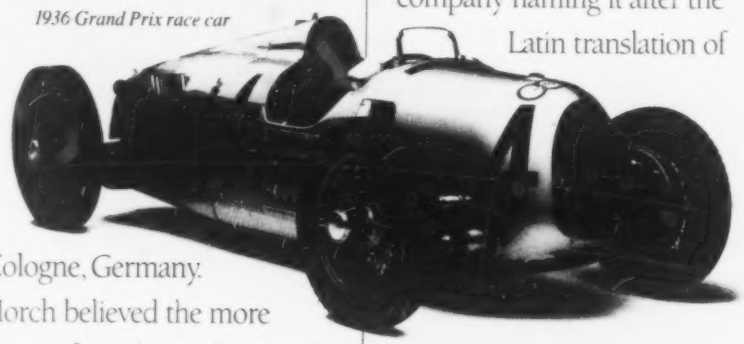
In 1899, Dr. August Horch (rhymes with "torque"), founded A. Horch & Cie., a tiny automaking company in Cologne, Germany.



1911 Alpensieger

Horch believed the more air was forced over the top of a vehicle, the more it was pushed to the ground, improving handling and allowing for a lighter curb weight. He proved his theories on the race course. Piloting the Alpensieger (Alps Conqueror) to three consecutive Alpine Rally victories.

1936 Grand Prix race car



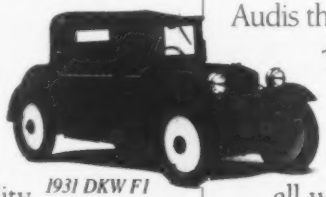
Audi Is Born

By 1909, Horch founded a new company naming it after the Latin translation of his name: *Audi*. The years ahead were full of automotive innovation. In 1931, Audi's soon-to-be-partner, DKW, pioneered Germany's first

© 1990 Audi of America

front-wheel drive car. A year later, Audi consolidated with Horch, Wanderer and DKW, forming Auto Union and adopted its current symbol of four linked rings. From 1934-38, Audi's Grand Prix race cars dominated racing, attaining speeds exceeding 200 mph.

A Succession Of Firsts



1931 DKW F1

In 1955 Audi tested the viability of permanent all-wheel drive in an off-road vehicle designed for utility use. They transferred this technology to the new

IMSA GTO 90 Quattro

Audi Quattro which made its first public appearance at the Geneva Salon in March of 1980. In 1986, Audi introduced the 5000CS Turbo Quattro, the first Audi to feature Anti-Lock Brakes, setting the stage for the Audis that were to come.

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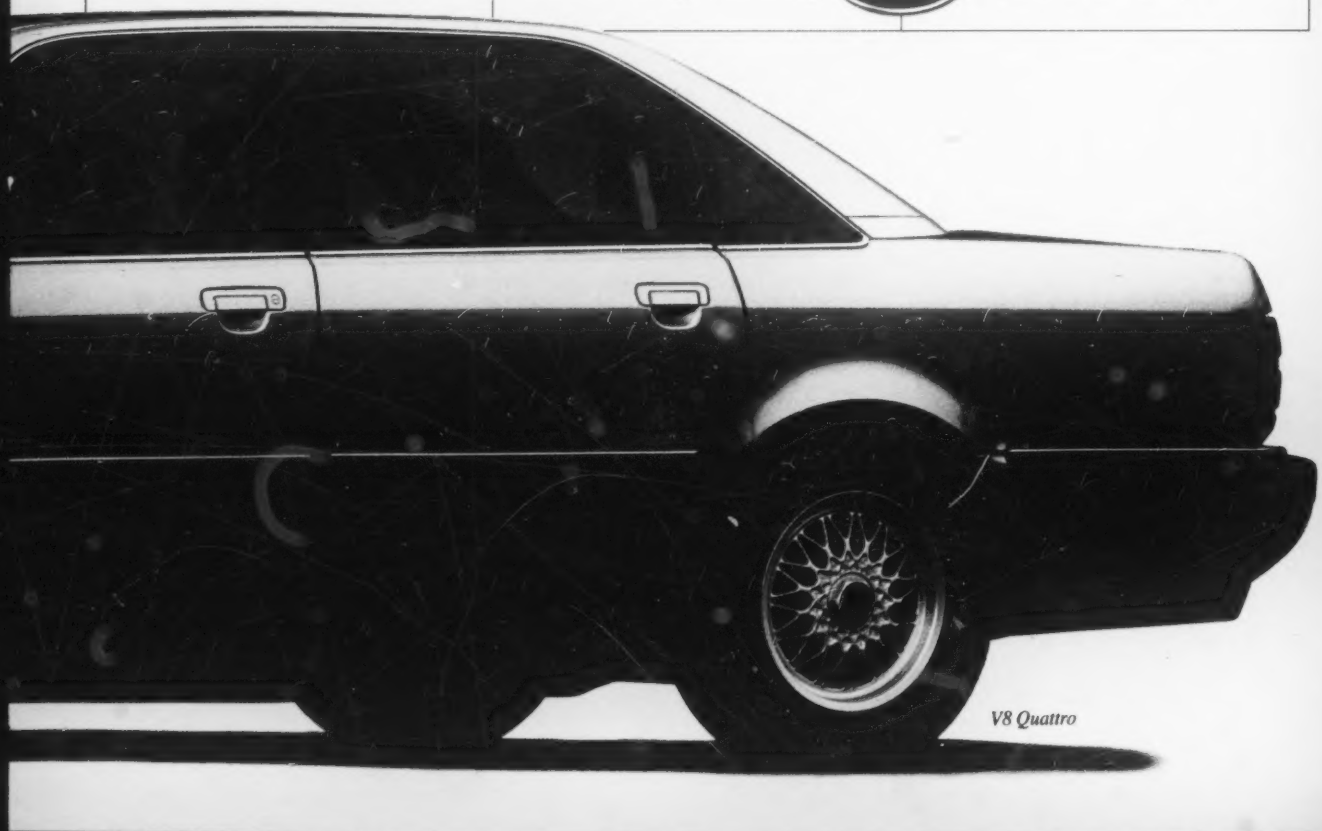

V8 Quattro

View of mid-town Leipzig, one of eastern Germany's leading cities.

Impediments To Reconstruction

We are currently experiencing in the former GDR just how difficult the reconstruction will be and how deeply embedded in many people there - often subconsciously — socialist thinking is. If that is the case in East Germany which has only — and I put that in quotation marks — 45 years of Socialism behind it, one must instinctively think of the Soviet Union, which, after the dislocations of World War I, has been subjected to a socialist planned economy since 1917. You have to pose the question: just how much more difficult will reconstruction be in the USSR?

The debates between economists in the Soviet Union have become opaque. Either they support the Ryzhkov Plan or the Shatalin Plan, which represents a compromise between the reform ideas of Gorbachev and those of Boris Yeltsin. What is lacking, in my judgement, even in the plan of the radical reformers, is a concept for a currency reform, which I believe is required, in order to get rid of the country's surplus purchasing power. In this chaos of ideas, as it was described by many Soviet academics, Gorbachev got from the Soviet Parliament extraordinary powers - in order to make any sort of start - because the Soviets were locked in interminable debate about the road to reform. I believe this method is questionable.

I am reminded in this context of the emergency decrees in the Twenties and Thirties during the Weimar Republic that were passed by the government of Chancellor Brüning. The experience of that era demonstrated that emergency decrees can often prepare even indirectly the road to dictatorship. I can only hope that political reform in the Soviet Union, already well advanced, will not be checked by these measures.

Nevertheless, we have to send a message to the political leadership in Eastern Europe: a commitment by German or other foreign businessmen, particularly the Americans, will presume attractive start-up conditions. Our companies find themselves in a hard competitive struggle worldwide. East Germany and other Eastern European countries will have to accept the fact that the single European market of 1992 will require companies in the Federal Republic to invest throughout Europe. With increasing globalization, the former socialist countries are only one investment market among many in the world; they will enjoy no preferred standing in this selection process, even if they can be certain of our help within the limits of the possible.

For our part, there are things that we can do: Eastern Europe and other third countries need open access to the European Community and the world market in order to sell their products. Naturally, these countries must likewise open themselves to free trade with the EC and other industrialized countries. Trade barriers, import limitations, and special tariffs are the wrong way to make themselves competitive.

The tasks of economic restructuring in Eastern Europe are so great that they cannot be mastered by one economic power alone, no matter how strong it may be. All of us together, East and West, will require international capital, international know-how, and international products.

Therefore, Germany does not regard the Central and Eastern European markets as a sort of private shrine, but as an open market — open not only to our EC partners but to other European and overseas investors. Only by acting together will restructuring and reforms succeed.

Future economic and political developments in the Soviet Union will be decisive for Europe's future. Central Europe and the USSR deserve our entrepreneurial consideration in similar measure in this regard. The extreme caution being observed by many businessmen - particularly outside Europe - is understandable given the unbridgeable and deficient conditions within Eastern Europe. The people there, as well as their political leaders, want to see things happen to which they can bind their hopes. In the absence of results —- above all, economic — Western Europe, no matter how successful, will not in the long run be secure. It would remain threatened on all its external borders by economic and social pressures, as well as by the danger of a new flood of immigrants.

Self-interest and the needs of our neighbors in the East coincide as seldom before.

In conclusion, both the West and the East have mutual interests. We Germans and the other Western Europeans should be prepared to help, and I emphatically endorse this stance. Self-interest and the needs of our neighbors in the East coincide as seldom before. This new era of peaceful cooperation is in need of our support. □

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Überblick

Investitionen und Handel mit Osteuropa: Chancen und Probleme

Der europäische Binnenmarkt bietet den westeuropäischen Staaten die Chance, gemeinsam den Weg in das Jahr 2000 zu gehen, die Kraft ihrer Volkswirtschaften zu bündeln und damit Chancengleichheit mit anderen Weltregionen zu erreichen. Die demokratischen Revolutionen in Osteuropa bleiben nicht ohne Einfluß auf das politische Konzept der EG. Mit der DDR wird das Gebiet der EG ganz kurzfristig größer. Zudem stehen wir vor der Frage, was wir z. B. Ungarn, Polen und der CSFR antworten sollen. Sicher ist, daß wir sie nicht, wenn sie entspre-chend beitreten wollen, vor die Tür setzen können. Andererseits darf es nicht zu einer Verlangsamung des inneren Zusammenwachsprozesses in Europa führen.

Diese Chancen werden Europa ganz sicher kein zweites Mal gewährt, gerade weil die Entwicklung so dramatisch, so tiefgreifend war und so überraschend schnell gekommen ist. Ich meine das nicht nur politisch, sondern auch wirtschaftlich. Hier haben wir die einmalige Möglichkeit, uns am Aufbau eines Marktes an vorderster Front zu beteiligen. Damit betreiben wir die beste Friedenspolitik, indem wir bestehende Wohlstandsunterschiede versuchen zu überbrücken, die entstanden sind durch die marxistische Planwirtschaftspolitik. Die Deutschen sind zu einer breiten Unterstützung der politischen Reformprozesse und des wirtschaftlichen Wiederaufbaus überall in Osteuropa bereit. Allerdings kann unsere Unterstützung nur Hilfe zur Selbsthilfe sein. Eigeninitiative ist gefragt. Unsere östlichen Partner wären schlecht beraten, nur auf westliche Unterstützung zu setzen.

Wir müssen den Politikern in Osteuropa sagen: Ein Engagement der Deutschen und der internationalen Wirtschaft, besonders der der Vereinigten Staaten, setzt attraktive Standortbedingungen voraus. Unsere Unternehmen stehen im harten weltweiten Wettbewerb. Die DDR oder andere osteuropäische Länder müssen sich damit abfinden, daß die Unternehmen der Bundesrepublik wegen des gemeinsamen Marktes 1993 in ganz Europa investieren müssen. Gerade bei der zunehmenden Globalisierung sind die ehemaligen sozialistischen Länder nur ein Standort unter vielen in der Welt.

Wir haben also gemeinsame Interessen - Ost und West. Wir Deutschen und die Westeuropäer sollten bereit sein zu helfen. Hierfür möchte ich eindringlich werben. Eigeninteressen und die Bedürfnisse unserer Nachbarn im Osten decken sich wie selten zuvor. Die neue Ära der friedvollen Zusammenarbeit bedarf unserer Unterstützung. □

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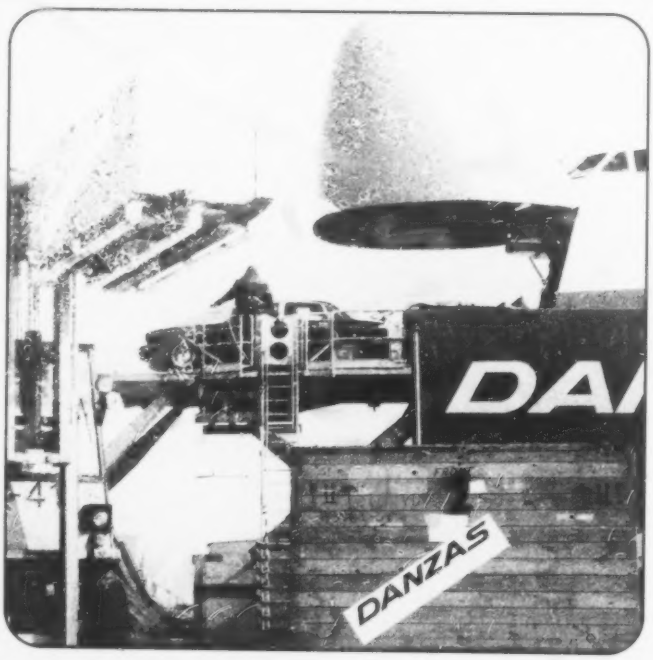

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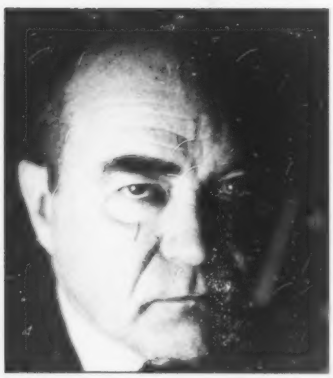
Wirtschaftliche Perspektive in den neuen Bundesländern

Some Perspectives on the Economic Reconstruction of Eastern Germany



Dr. Hans Saur
Partner-in-Charge
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The political unification of Germany on October 3, which was preceded by monetary unification on July 1, was formally completed with the entry into the Federal Republic of five new states that had formerly comprised the German Democratic Republic: Saxony, Saxony-Anhalt, Brandenburg, Thuringia, and Mecklenburg-Vorpommern.

A comparison of the populations of the 11 states in western Germany and the five new states shows that most of the latter will remain—ranked by population—among the small states in the newly unified Germany. Their modest status is reinforced by examining the gross domestic product of all Germany's 16 states in 1989. As a whole, the GDP of the five new states represented just under 14 percent of the all-German aggregate, or approximately that of Baden-Wurttemberg. Even if the economy in eastern Germany recovers strongly (and assuming an equal per capita GDP), their total share in the GDP of the Federal Republic as a whole will still come in at under 20 percent. In other words, the five new states would still be among the smaller economies in Germany, falling somewhere between Rhineland-Pfalz and Bremen.

Small in Size with Great Potential

Substantial social problems, arising from decades of division, can be expected. The current gaps in economic well-being between eastern and western Germany are best illustrated by the figures for per capita personal consumption in 1989. In the West, they ranged from DM 24,470 in West Berlin to DM 18,200 in Rhineland-Pfalz. The corresponding calculations in the East range from DM 9,430 in Mecklenburg-Vorpommern to DM 8,980 in Saxony-Anhalt;

. . . the GDP of the five new states represented just under 14 percent of the all-German aggregate . . .

only East Berlin represents a sort of oasis in the former GDR, with per capita outlays of DM 12,840. These disparities will only be magnified by the current economic boom in the West and the shrinking economy in the East.

Still, the economic potential of eastern Germany is enormous. If the gross domestic product there were to catch up with that of western Germany (using estimated 1991 GDP in western Germany as a base), we could look for a GDP of DM 700 billion, which would be a leap of DM 430 billion from its current level. The time it will take to catch up will depend greatly on the progress achieved in Eastern Europe. Demand generated by these countries would benefit eastern Germany directly due to its proximity and long-standing trade relationships.

No Quick Solutions

Despite a considerable infusion of funds, the economy in eastern Germany is still in decline. A search for the

reasons will reveal a few key points. Among the most conspicuous is the notable reluctance of West Germans and foreigners to invest in eastern Germany. Aside from several spectacular deals, e.g., VW in Zwickau, Daimler-Benz in Ludwigsfelde, Opel in Eisenach, and BASF in Schwarzheide, very few transactions have been announced. Although there was a noticeable pickup towards

Even before the Treaty of Unification became effective, the murky question of true property ownership was a major obstacle to investment.

the end of 1990, it is inevitable that large investments will require a considerable length of time from beginning to finalization.

In addition to the necessary delay caused by protracted negotiations, the existence of the restitution disaster has to be addressed. Even before the Treaty of Unification became effective, the murky question of true property ownership was a major obstacle to investment. Although the surge of claims for the restitution of nationalized property involving over 30 percent of land and property in the former GDR was fully anticipated, the difficulty of administering them was greatly underestimated. Among others, in addition to processing the claims, the entire system of land and property registration will have to be re-organized.

Even after the claims have been processed, which will take at least two to three years, the still dysfunctional courts will require years to decide the disposition of property or the amount of restitution. However, the Treaty of Unification did offer some alleviation with its provision that investors be issued an investment voucher that protects them from claims by former owners.

Industrial Headaches

Industry in eastern Germany confronts numerous problems. Although the washlist discussed in the business press is endless, the following are probably the key

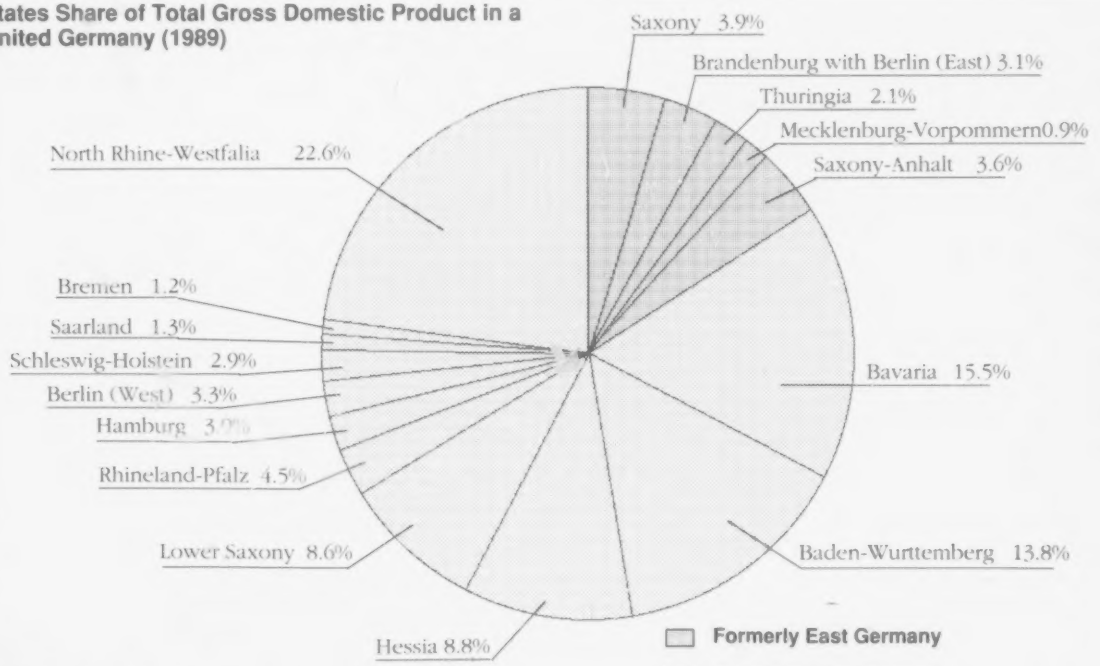
East German executives and managers . . . greatly underestimated the pressures that would be exerted by the free market . . .

problem areas: liquidity, cost structure, an absence of distribution systems, quality control, obsolete production facilities and design, a bad image, and poor management.

Responsibility for the slow progress in re-organizing the formerly state-owned companies does not rest solely with the East German executives and managers who admittedly greatly underestimated the pressures that would be exerted by the free market that has swept through eastern Germany since monetary union on July 1, 1990 and did practically nothing in the preceding months to update production and marketing.

Rather, much of the responsibility for the slow progress

States Share of Total Gross Domestic Product in a United Germany (1989)



Source: Deutsche Bank

achieved to date must be placed at the door of western Germany. It is remarkable how late top executives and government officials there came to understand the unique features of the economy in the East, where it was an integral part of a State that deprived it of any sense of responsibility. As is customary with governments, financial allocations were budgeted each year. Government deficits, which might have dimmed the glorious image of Socialism in the GDR, were transferred from the state budget to industry (and were financed through forced savings). The unemployed were assigned to plants, and industry received no funds for environmental protection.

. . . it should be the government's responsibility to provide . . . adequate capital resources, for example, through the conversion of old debts into equity . . .

The introduction of a free-market economy means that these industrial organizations will become fully accountable. In my opinion, however, these organizations should not be forced to be accountable for the burdens of the past. The economic liabilities should return to the state, and the debts assumed only to the extent that would be expected in the capitalization ratio of a comparable business in the West. The government should also be responsible for excess personnel and environmental damages which the former government created in the first place.

On their initial balance sheets, which will now be denominated in deutschmarks, the industrial organizations will be able to show free-market type assets, but the liabilities will continue to be almost impossible to compute. The numbing debate on disencumbrance that goes on and on—given the absence of any agreement on the procedure—and the continuing discussion regarding the government's assumption of old liabilities could have been shortened by courageous political action in the cases of companies that were not in bad shape.

The deficient capitalization alloted to relatively healthy companies with compensation claims could cause them problems in the near future in the credit markets. In these cases, too, it should be the government's responsibility to provide its companies with adequate capital resources, for example, through the conversion of old debts into equity, particularly since these companies are in the hands of the government, which could then realize higher prices when it sells them.

All of the foregoing remarks should be viewed as nothing more than a snapshot of an operation in motion. Data and developments are in constant flux and could change dramatically. Therefore, potential investors must be alert and make sure that their information is up-to-date. □

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Überblick

Wirtschaftliche Perspektive in den neuen Bundesländern

Vorstehende Ausführungen berichten über die wirtschaftliche Situation der 5 neuen Bundesländer, Sachsen, Sachsen-Anhalt, Brandenburg, Thüringen und Mecklenburg-Vorpommern, so wie sie sich zu Ende des Jahres 1990 darstellt. Die wirtschaftliche Eingliederung dieser Länder in die Bundesrepublik ist drei Monate nach der Wiedervereinigung erst am Anfang einer Entwicklung und im ständigen Fluß.

Bei einem Vergleich der Einwohnerzahlen der bundesdeutschen Länder mit den neuen Ländern kann man feststellen, daß allein schon von der Einwohnerzahl her die meisten neuen Länder zu den "Kleinstaaten" gehören. Die geringe Bedeutung der einzelnen neuen Länder verstärkt sich bei einem Vergleich der Länder-Sozialprodukte für das Jahr 1989.

Große gesellschaftliche Probleme sind allerdings von der wirtschaftlichen Teilung des Landes zu erwarten. Dieses bereits bestehende Wohlstandsgefälle wird durch die gegenwärtige Entwicklung - Boom im Westen, Rezession im Osten - noch verstärkt.

Die Ost-Betriebe kämpfen mit zahlreichen Problemen. Allgemein spricht man in der Literatur von zehn Schwachstellen der ostdeutschen Industrie. Hier sind insbesondere Liquiditätsschwierigkeiten, Kostenstrukturprobleme, mangelnde Vertriebssysteme, Qualitätskontrolle, veraltete Produktionsanlagen und uraltes Design, schlechtes Image und auch Managementprobleme zu nennen. Mit der Einführung der Marktwirtschaft werden diese Betriebe nun in die Eigenverantwortlichkeit entlassen.

Im Rahmen der D-Mark-Eröffnungsbilanz werden die Betriebe nun eine marktwirtschaftlich geprägte Aktivseite präsentieren können, doch die Bilanzpassivseite bleibt weiterhin unberechenbar. Auch hier wäre es die Aufgabe des Staates, "seine" Betriebe mit adäquatem Eigenkapital - z.B. aus der Umwandlung der Altschulden in Eigenkapital - auszustatten, zumal sich die angesprochenen Betriebe im Staatsbesitz befinden, der Staat also bei der Veräußerung wiederum höhere Beträge realisieren kann.

Die wiedergegebene Darstellung der wirtschaftlichen Perspektiven für Ostdeutschland kann nur als eine kurzlebige Momentanaufnahme zum Jahresende betrachtet werden. Ausgangsdaten und künftige Entwicklungen sind im ständigen Fluß und können sich dramatisch ändern. Der potentielle Investor hat sich deshalb um den aktuellen Stand der Situation ständig neu zu informieren. □

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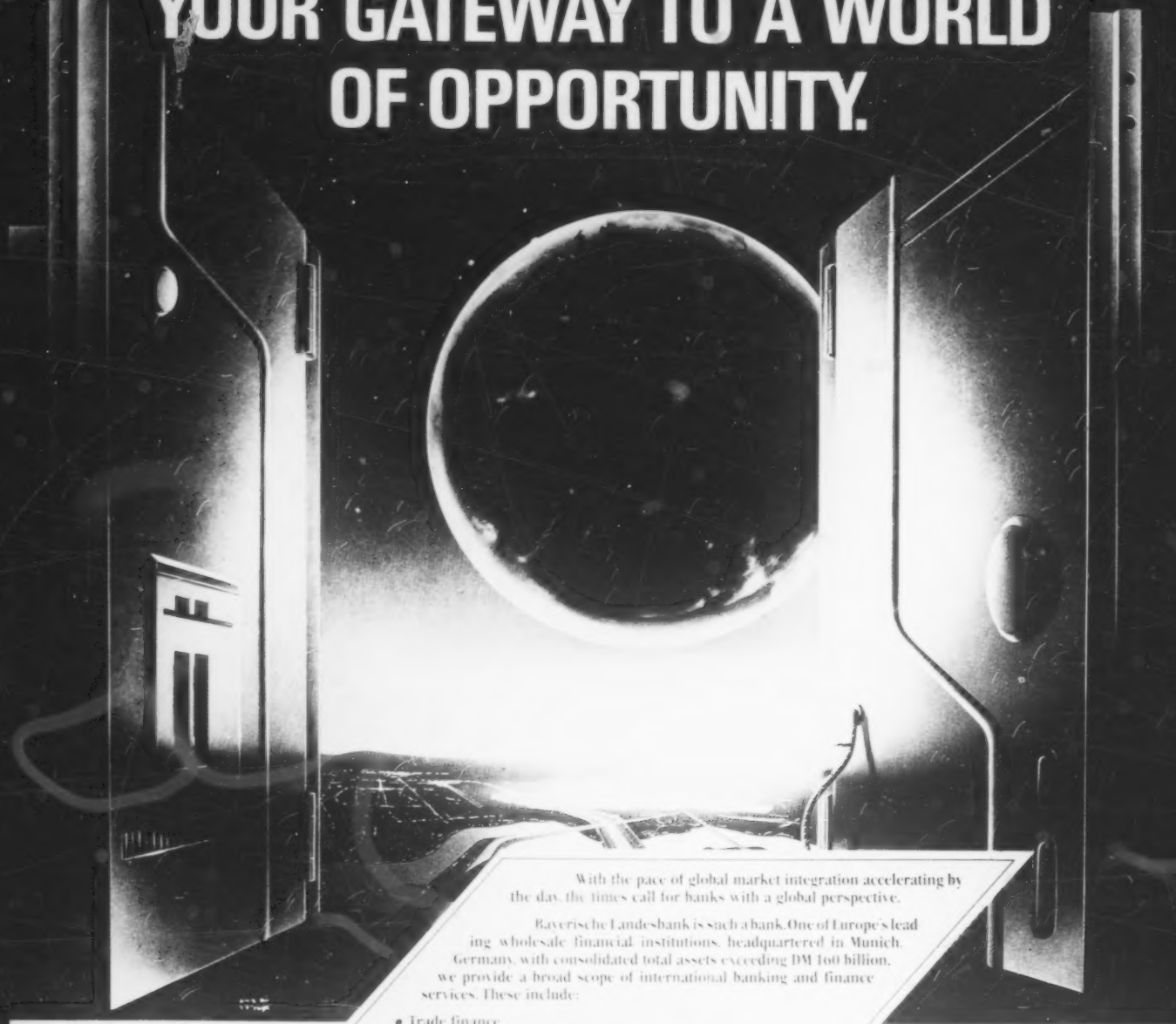

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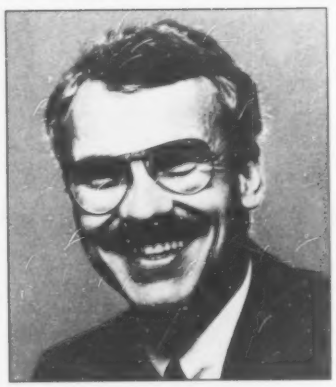
Osteuropa - Markt mit Zukunft

Eastern Europe: Market with a Future



Dr. Wilfried Prewo
Executive Director
Hannover-Hildesheim Chamber
of Industry and Commerce

The welcome collapse of the dictatorships in Eastern rope has not by any stretch of the imagination created a ansition to democracy and free-market economies. The ift from a command to a market economy is a process of creative destruction that will cause considerable chaos in the short term. The main thing now will be to shorten the process of adjustment, and that won't be easy.

Even in the political dimension, the replacement of dictatorships by democratically legitimized regimes will not be sufficient.

A stable democracy requires more than a secret ballot. Institutions and officials, hitherto exclusively dedicated to the arbitrary decisions of the communist despots, will have to be replaced by administrations that are open to citizens and business alike and that are dedicated to the rule of law.

Above all, these countries lack people with competence in business, administration, and law, who are capable of replacing the former economic bureaucrats and party hacks. Many of these people continue in office, and are not so much ill-disposed as frightened and frozen because they were accustomed to act only according to directives. There are others, though, who put on a good appearance, but continue to play their old game of seeking out personal advantages for themselves and their friends, and practice obstruction and sabotage against reforms.

Economic reconstruction will require a huge structural change: rigid monopolies with far too much vertical production will have to be broken up into competing,

. . . these countries lack people with competence in business, administration, and law . . .

specialized, market-oriented units. New product lines will have to be created and others discontinued because administered prices that ignored the marketplace encouraged industrial configurations that have no chance of surviving on the world market. The attempt to achieve autarchy will have to give way to the division of labor, at home and in foreign trade.

The countries of Eastern Europe will not be able to master this process, nor quickly enough, from their own resources. They have no capital—it was destroyed by communism: industrial combines are in ruins, the infrastructure is debilitated, and the environment has been destroyed. Even more important, there is a lack of personnel with leadership ability. The strength of Eastern Europe, compared, say, to Latin America, is in their extremely well educated engineers, technicians, and skilled workers. They can make a start with this human capital, but only if western capital and management are brought in. However, no

The market square in Altenburg, eastern Germany in June 1990, shortly before unification.

one is going to invest in moribund state monopolies and con- clude joint ventures with them without some voice and reasonable legal protection. The first and most important—not the second and incidental—step should be a sweeping privatization of the industrial combines and their subsidiaries. Even if reluctantly, this is increasingly acknowledged, even in Poland, Hungary, and Czechoslovakia. Ideological reservations must bow to necessity. The rewards of radical reform will correspond to the enormity of the difficulties they entail. This is not a zero-sum game. The opening of markets and gradual introduction of a free-market econ-omy will lead to a major enlargement of the European economic area, and the mandate for modernization and development will encompass an incredible potential for growth, not only for Europe but for the global economy as well.

The Hannover Fair grounds, a traditional meeting place for East-West business.

Brokering Contacts Between East and West

After decades of isolation and hostility, quick action will place a priority on relevant information as a basis for decision-making. The Hannover-Hildesheim Chamber of Industry and Commerce recognized this need early on, and founded an East-West Center (OWZ) at the beginning of 1989 as a business brokerage for contacts between the East and West.

Hannover's internationally renowned trade fairs represent an ideal meeting place for transacting East-West business.

Its location in Hannover offers many advantages: since the opening of Eastern Europe, the state of Lower Saxony is not only an important business center in the European Community, it is also situated in the heart of a new, greatly expanded Europe. Next to the two main North-South transportation routes (Rotterdam to Northern Italy and, more recently, Berlin-Budapest), the East-West axis from London via Rotterdam, the Ruhr, and Hannover to Berlin and Warsaw will become extremely important. Finally, Hannover's internationally renowned trade fairs represent an ideal meeting place for transacting East-West business.

The OWZ serves companies from the Federal Republic, Eastern Europe, as well as the United States, as a place to obtain information, set up joint ventures, or simply to make a start. In order to achieve these ends, the OWZ offers a wide variety of services:

- It provides aid in starting up important and export businesses by means of data bank studies and multiple contacts in Eastern Europe. What is important here is mediating business ventures of all kinds, ranging from normal contractual arrangements to joint ventures. The cooperation exchange set up by the East-West Center to facilitate these ends has met with a warm reception. Proposals and inquiries, above all from Poland and the USSR, with regard to capital equipment and consumer goods industries have been matched with a number of suppliers from Germany and the U.S. The range of transactions brokered ranges from the manufacture of anti-pollution equipment in the Soviet Union to organized hunting trips.
- A particularly attractive feature at the OWZ is its provision of office facilities for Eastern European businesses. These may comprise—for example, in the case of facilitating trade fair contacts—a range of office services such as telecommunications, stenographic personnel, data banks, etc. These facilities are especially valuable in view of the desolate condition of the communications infrastructure in Eastern Europe.
- The OWZ is also active in Eastern Europe itself: it sponsors delegations to partner countries, assists in presentations by western firms for joint participation in trade fairs or symposiums. These programs have been particularly helpful to small and medium-sized firms in establishing contacts which would otherwise have been extremely difficult if they had been pursued individually. Conversely, the OWZ also sponsors delegations

Vladimir Dmitriev, deputy director of the executive committee of the Ivanovo province in the USSR, presents a gift to Chancellor Kohl at the "Infa" trade fair in Hannover.

from the Comecon nations, especially from the USSR, to visit plants and discuss possibilities for cooperation.
- In addition, the OWZ maintains an extensive archive on business law and regulations.

Our experience up to now confirms that we are on the right path. A large number of contacts have been arranged through the OWZ cooperation exchange and the numerous delegations, symposiums, and joint trade fair participations it has sponsored. A German-Soviet joint venture is already functioning and another involving environmental protection will soon be signed.

Moreover, intensive negotiations are being conducted on modernizing obsolescent factories. The considerable interest in finding solutions to the ecological problems of factories and communities has encouraged the Chamber to

Moreover, intensive negotiations are being conducted on modernizing obsolescent factories.

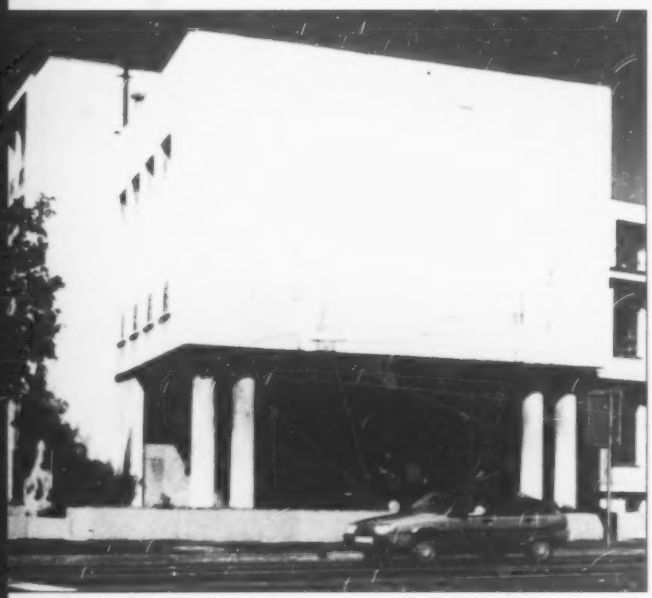
conduct a symposium in Leningrad on sewage as well as the first German-Soviet meeting on ecology this year in Hannover. This will be an annual event, with the locus alternating between Hannover and Moscow.

American businesses should also seek to profit more strongly from the new openings in Eastern Europe and take advantage of the unrealized potential of these countries. The rich variety of services offered by the OWZ is also available to American companies. This applies as well to the annual German-Soviet meetings on ecological problems.

Problems and Opportunities

There is still a long road ahead before the nations of Eastern Europe are integrated into the global economy. But the long way they must go to catch up simultaneously illuminates the opportunities:

- The countries of Eastern Europe have only a share of under 8 percent in total world trade. The Soviet Union's imports work out to $380 per capita. By comparison, U.S. imports come to $1,865 and those of the Federal Republic to $4,003.
- The Federal Republic's trade with Eastern Europe in 1989 amounted to only 3.8 percent of its total foreign trade, although it was one of their most important trading partners.
- The countries of Comecon are strongly dependent upon one another: they conduct some 55 percent of their entire foreign trade among themselves.



The headquarters of the Chamber of Industry and Commerce of Hannover-Hildesheim

The countries of Eastern Europe also continue to be retarded by narrow, one-sided, and poor quality product lines. Around 40 percent of their exports to the West consist of various fuels, for which demand is limited and whose prices fluctuate sharply.

In 1989 and the early part of 1990, business relations with the formerly communist countries of Eastern Europe expanded robustly: their foreign trade with Germany rose 20 percent and the number of approved joint ventures also leaped. The liberalization of commerce and their stronger incorporation into the international division of labor, pro-

. . . it is impossible to overlook the difficulties that will be encountered in the transitional phase . . .

ceeding apace with the tremendous need to raise the levels of consumption and investment, have created a powerful magnet for imports and new opportunities for investment.

In addition, the gradually expanded entrepreneurial freedom and autonomy of their manufacturers have also improved the climate for foreign investors. In the past few years, the Eastern Europeans have tried to open their economies as widely as possible to fixed investment from abroad, a trend that has been led by Hungary.

Many Obstacles Remain

No matter how justified the hopes may be that these reforms will lead to an improvement in the economic situation in these countries, it is impossible to overlook the difficulties that will be encountered in the transitional phase, which one hopes will not be all too extended.

Their trade accounts generally reflect the precarious state of the Eastern European economies. A high level of indebtedness, the limited competitiveness of their manufactures, as well as the decline of export prices, have restricted their freedom of action markedly. Trade deficits and high levels of debt set limits to the availability of credit. Moreover, in the case of the Soviet Union, slow payment and even non-payment of obligations have raised

Trade deficits and high levels of debt set limits to the availability of credit.

open doubts about the credi- worthiness of the country's foreign trade and industrial organizations. And the inconvertibility of currencies, an inefficient bureaucracy, and the lack of performance incentives, as well as the poor infrastructure, have blocked development.

In addition, the decentralization of foreign trade authority has complicated the search for foreign trade partners. Whereas there were formerly only a few state foreign trade organizations—mostly concentrated in the capitals—one has to search throughout the country today to make contact.

In this regard, there is a paucity of information on authority to negotiate and opportunities, precisely the area where the OWZ has carved out a niche. With its broad range of information and support activities in initiating and cultivating business contacts, OWZ hopes to enable business organizations in the East and the West to utilize fully the opportunities that have been created by the new political constellation. □

Überblick

Osteuropa - Markt mit Zukunft

Mit dem so erfreulichen Kollaps seiner totalitären Diktaturen hat Osteuropa noch lange nicht den Übergang zur Demokratie und Marktwirtschaft geschafft. Der Wechsel von der Kommando- zur Marktwirtschaft ist ein Prozeß der schöpferischen Zerstörung, der kurzfristig manches in Chaos stürzt. Es geht jetzt darum, diesen Anpassungsprozeß zu verkürzen.

Nach Jahrzehnten der Isolation und Verfeindung erfordert schnelles Handeln jetzt vor allem die zutreffende Information als Entscheidungsgrundlage. Die Industrie- und Handelskammer Hannover Hildesheim ist hier frühzeitig aktiv geworden und hat Anfang 1989 das Ost-West-Zentrum (OWZ) in Hannover als Kontaktstelle für Unternehmen aus Ost und West gegründet.

Das OWZ dient Unternehmen aus der Bundesrepublik Deutschland, Osteuropa und natürlich auch den USA als Informations-, Kooperations- und Anlaufstelle.

Das OWZ bietet vielfältige Informationen und Hilfestellungen bei der Kontaktaufnahme und Intensivierung der wirtschaftlichen Beziehungen, damit Unternehmen in Ost und West die Chancen, die sich aus der Öffnung der Märkte ergeben, voll nutzen können. □

Manchmal fällt der Apfel weit vom Stamm.

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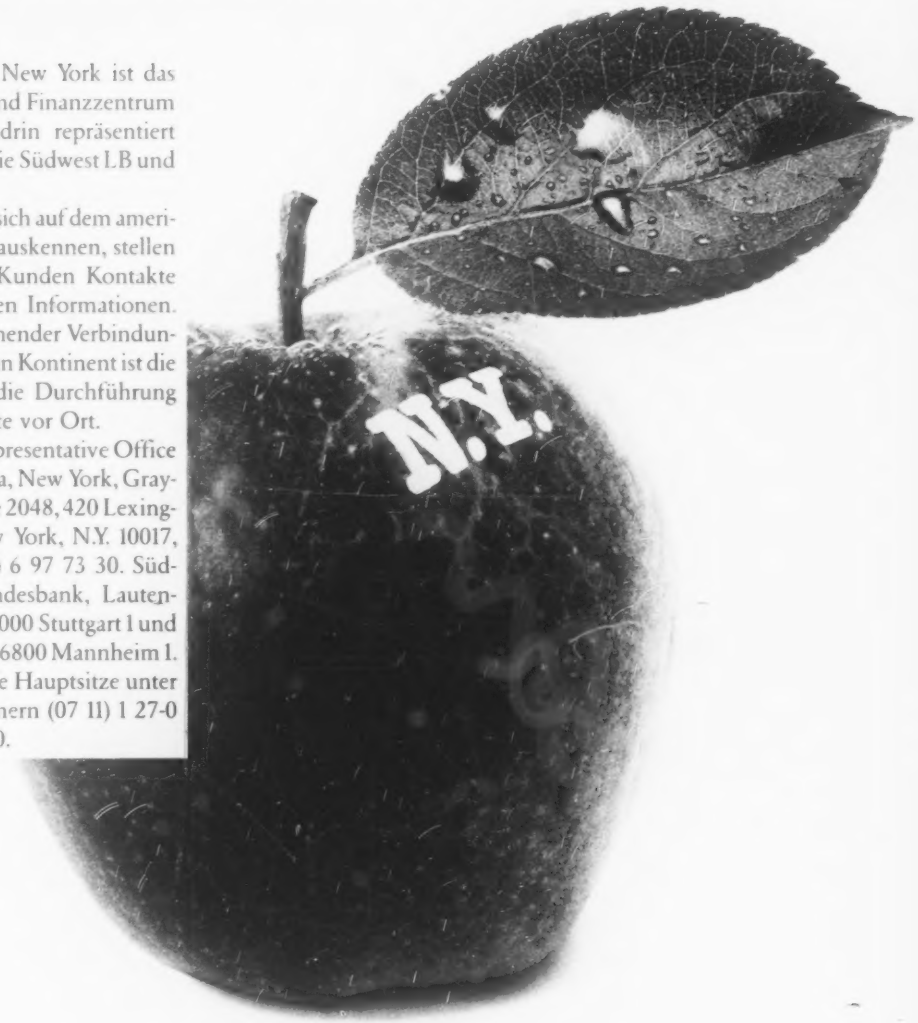

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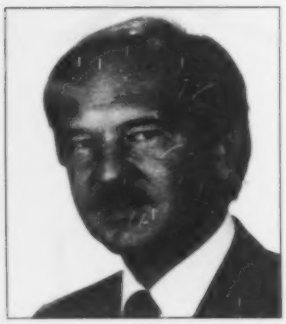
Verkehrskonzepte in Deutschland vor der großen Herausforderung

The Challenge of New Transportation Concepts for a United Germany



Roland Dumont du Voitel
Vice President & Managing Partner
and
Federico Avellan-Bergmeyer
Consultant
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Frankfurt

For four decades, the Iron Curtain defined Germany's infrastructure and the geographical dimensions of its economy. Traditional streams of trade and cultural ties were cut off, and a vast gulf frustrated geographic proximity and the access to Western and Eastern economic centers.

This situation has changed virtually over night. It is well within the realm of possibility that an area firmly anchored

The economic integration of the European House will take form between all four points of the compass. Germany will occupy the center of this integrated area . . .

in terms of its industrial and transportation configuration to a north-south orientation will be succeeded by a competing west-east axis. The economic integration of the European House will take form between all four points of the compass. Germany will occupy the center of this integrated area, a transit area of a size unknown for decades. This will represent a challenge to the creation of transportation concepts of every type.

If the Federal Republic in western Germany had to strain to find successful solutions to its transport problems in the past, it is now confronted with the daunting task of reconstruction and modernization in eastern Germany and the implications of the opening up of Eastern Europe. It is estimated that in the next 20 years the number of automobiles in Germany will leap from around 34 million today to some 45 million, freight traffic will increase by a factor of ten, and overall investment in transportation will consume DM 400 billion.

Inland Waterways

The 900 miles of rivers and canals on the territory of the former German Democratic Republic have not been maintained for many years. Their routes connected seaports and inland ports that were essentially closed to the Communist economy or simply represented an inefficient network of inland ports. Only 18 million tons of cargo were moved annually over eastern Germany waterways, which amounted to 4.5 percent of the annual volume in western Germany. It is estimated that cargo volume on eastern Germany's rivers and canals will balloon to as much as 50 million tons per year by the year 2000.

Substantial investments will be needed, both for rebuilding and expanding the obsolete port facilities and the barge fleet as well as for dredging the silted-up rivers and canals. The low water level will cause additional problems: for example, the water level of the Elbe has

sunk by 10 to 16 inches because so much of its waters have been diverted for irrigation. In addition, the rivers and canals that are still navigable have been laid out to accommodate smaller ships and barges, with a length of 295 feet and a capacity of 900 tons instead of the respective 345 feet and 2000 tons that are common in the West.

Waterways will play a completely new and important role in transportation in an enlarged Europe. They will undoubtedly be a key element in cross-border traffic, for instance as a link between the Baltic Sea, the Black Sea, and the Rhein-Main-Donau Canal, in order to reduce air and ground-level pollution.

Highways and Roads

Scarcely any money was invested by the German Democratic Republic in its 8,320 miles of roads and highways since the Second World War. The repair and expansion of the autobahns connecting Berlin with Hamburg in the north and Helmstedt in the south were financed by Bonn and from transit fees levied on West Germans driving their cars and trucks between West Germany and Berlin. No wonder, then, that the roads are in such a mess. Most visitors from western Germany are reminded immediately of the early postwar years: old-fashioned cobblestones and potholes.

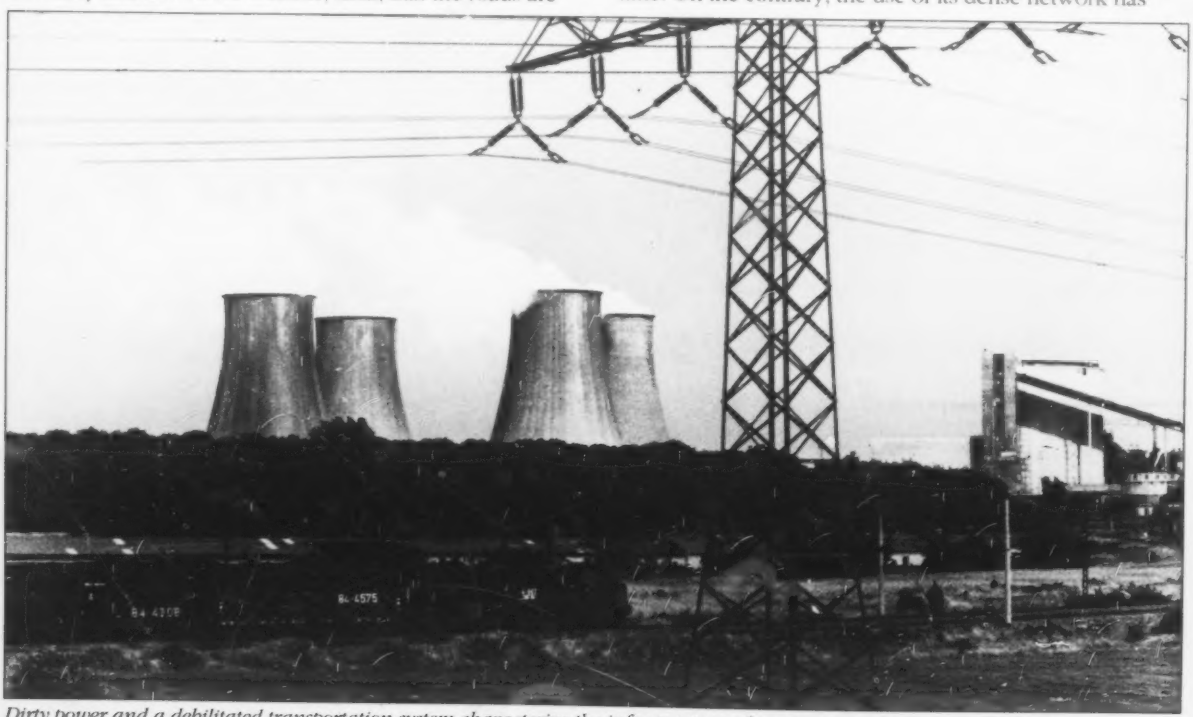
At least half of the road network and bridges are in urgent need of repair, . . . the cost . . . estimated at over DM 100 billion.

At least half of the road network and bridges are in urgent need of repair, and the cost over the next ten years is preliminarily estimated at over DM 100 billion. Until then, traffic will move at a snail's pace on the totally overloaded roads through cities and villages, and traffic bottlenecks will become ever more frequent.

The lots of used-car dealers in western Germany have been emptied: older cars of West German manufacturer have found a new home in the former German Democratic Republic and in many regions have virtually driven the notorious Trabant from the streets. Car ownership in eastern Germany of approximately 4.5 million vehicles in 1989 increased by around one million in this year's first half. In addition, this has been augmented by a heavy influx of western visitors, businessmen, and truckers. The result is reflected in a leap of 2000 percent in traffic accidents and an increase in the number of deaths by 69 percent. Traffic tie-ups on the autobahns have become an every day event and traffic in the eastern part of Berlin often approaches gridlock.

Railroads

The rail system in eastern Germany shows a similar profile of decay. The Deutsche Reichsbahn (DR) in eastern Germany remains as a legacy of the Third Reich, and has not been modernized to any significant degree since that time. On the contrary, the use of its dense network has



Dirty power and a debilitated transportation system characterize the infrastructure of eastern Germany.

been drastically curtailed due to obsolescence. One example: whereas the *Flying Dutchman* express between Hamburg and Berlin took 1.5 hours in the 1920s, the same journey today requires four hours.

On most routes trains have to run at under 60 miles per hour; although only 27 percent of eastern Germany's 8,750 miles of railroad tracks are electrified, this share is due to be increased significantly by the end of 1990.

Up to now, 70 percent of all freight in eastern Germany has been transported by rail, compared with 24 percent in western Germany.

The DR has twice as many employees per transportation unit as the western German Bundesbahn. The notably low efficiency of the DR will continue to have a negative impact on its ability to compete with trucking for some time after unification. Up to now, 70 percent of all freight in eastern Germany has been transported by rail, compared with 24 percent in western Germany. In any case, the volume of freight in some categories, e.g., lignite, will probably show a substantial decline.

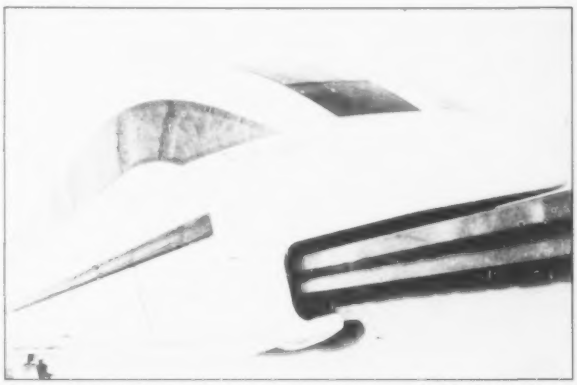
A rethinking of transportation strategy has already been underway in the Federal Republic for some time, and it seems likely that the unification of the two rail systems will also involve a greater priority in the expansion of the rail network.

Attractive variations, such as a magnetic levitation (MAGLEV) transit system, to connect large cities and/or airports are still being discussed . . .

To be sure, it is questionable whether creative thinking will extend beyond the current concepts of IC, EC, and IR (IC = intercity trains that connect major cities on an hourly schedule; EC = Eurocity trains between major European cities on a regular schedule; and IR = inter-regional trains that link regional cities on a regular schedule). Attractive variations, such as a magnetic levitation (MAGLEV) transit system, to connect large cities and/or airports are still being discussed within a theoretical framework designed to safeguard conventional transport concepts; even the implementation of the latter will require an investment of over DM 100 billion over the next ten years, which includes the cost of extending the high-speed rail system in western Germany into eastern Germany. In addition, a major railroad freight depot is contemplated for Postsdam, just outside of Berlin.

Air traffic

The dynamic economic expansion that is anticipated — or at least hoped for — in eastern Germany and Eastern Europe will call for the expansion of current capacity and for the construction of new airports. Eastern Germany has

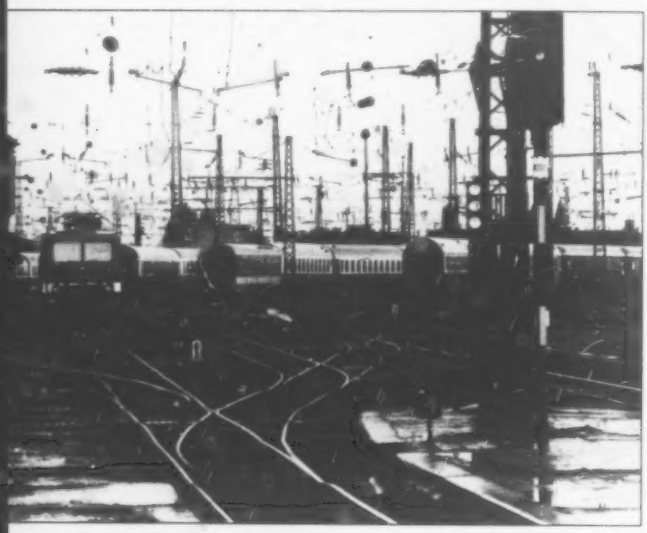


Magnetic levitation transportation systems may find application to the unique needs of eastern Germany.

essentially been cut off from the dynamic postwar expansion in commercial aviation: with the exception of Berlin-Schönefeld, which formerly served East Berlin, the former GDR, with a population of 16 million, does not have a single airport that services international routes. The precise role that will be assigned to Erfurt, Dresden, and Leipzig as newly economically viable airports is not yet clear.

It is probably realistic to expect that the market potential is probably around ten times the current level of four million passengers. According to Interflug, the former East German state airline, Berlin definitely encompasses the greatest potential for air cargo, estimating that the current volume of around 18,000 tons will expand by approximately 1000 percent. With regard to air passenger traffic, volume is expected to eventually reach 25 million passen-

The rivers of eastern Germany have been badly maintained. Above, the Elbe River in Dresden.



Eastern Germany's rail system is in an advanced state of decay. Above, the main rail terminal in Leipzig.

gers annually, a level that cannot be absorbed by the existing facilities of the airports at Berlin-Schönefeld, Tegel, Tempelhof, and Gatow. A huge new airport to be constructed south of Berlin is under discussion, and there are talks of connecting the Berlin airports and maybe Leipzig by a magnetic levitation transport system. However, the new airport cannot possibly be built nor the existing ones expanded and completely modernized before the turn of the century. The cost will probably involve DM 3 - 12 billion for each airport. But limitations already loom on the horizon, namely, problems involving overcrowded airspace, flight safety, and the environment.

Challenges Ahead

This overview of the transportation infrastructure of eastern Germany illustrates the substantial bottleneck that will define the flow of business between Eastern and Western Europe: elements of a transportation infrastructure that are absent or inadequate will have a palpable effect on economic development.

As a major transit area, Germany will not only have to cope with an average tenfold increase in its business with Eastern Europe, but with the steady growth of business with its Western trading partners. Bilateral agreements will not suffice to solve foreseeable problems, and entirely new concepts will be required in such areas as:

- the privatization of state-owned transportation systems;

A huge new airport to be constructed south of Berlin is under discussion . . .

- linking private and public transportation;
- linking disparate transport systems (e.g., container systems by rail, highway, water, and air);
- in balancing air traffic between various airports; and
- compensation for costs (taxes and duties not at the point of registry but at the place of use).

It is conceivable that these aspects of a transport challenge are only the beginning of a totally new era of logistical concepts on the part of business. If logistics become more problematic and more expensive, the advantage of the economics of scale achieved through decentralized manufacturing sites will disappear and an inter-regional division of labor will become more attractive again — an approach that might well find application in a reconstruction program for the nations of Eastern Europe. □

Überblick

Verkehrskonzepte in Deutschland vor der großen Herausforderung

Nach vier Jahrzehnten des "Eisernen Vorhangs" bei der Entwicklung infrastruktureller Konzepte und in der Wirtschaftsgeographie allgemein hat die traditionell Nord-Süd gerichtete Standort- und Strukturpolitik über Nacht eine West-Ost Komponente erhalten. Die deutsche Verkehrspolitik muß sich neuen technischen und logistischen Herausforderungen in allen Bereichen der Transportinfrastruktur stellen.

Die 2.319 km Wasserstraßen im ehemaligen DDR-Gebiet beispielsweise, auf denen jährlich nur 18 Millionen Tonnen - gerade 4,5 Prozent des Aufkommens im Westen - transportiert wurden, werden im erweiterten Europa beim grenzüberschreitenden Verkehr eine neue, wichtige Rolle spielen. In das Straßen- und Schienennetz im östlichen Teil Deutschlands sind seit dem zweiten Weltkrieg kaum Investitionen geflossen. Beide Systeme sind dringend renovierungsbedürftig: eine Aufgabe, die in den nächsten zehn Jahren Kosten von einigen 100 Milliarden DM verursachen wird. Die Vereinigung der Deutschen Bundesbahn (DB) mit der Deutschen Reichsbahn (DR) wird zu einem Ausbau des Schienenverkehrs und zu technischen Innovationen führen, deren Reichweite (z.B. Einsatz von Magnetbahnen) heute jedoch noch nicht absehbar ist.

Bei der drastischen Entwicklung des Luftverkehrs blieb die ehemalige DDR aussen vor, da sie nur über einen international angebundenen Flughafen, Berlin-Schönefeld, verfügt. Trotz erwarteter Wachstumsraten sowohl beim Passagieraufkommen als auch im Cargo-Geschäft von 1.000 Prozent sind die Chancen für regionale Flughäfen in Leipzig, Dresden oder Erfurt mit wirtschaftlicher Relevanz - ganz abgesehen von der Überlastung des Luftraums, der Flugsicherungs- und Umweltschutzproblematik - noch unklar.

Die Wirtschaftsströme zwischen West und Ost leiden noch unter großen infrastrukturellen Engpässen, die die wirtschaftliche Entwicklung im Ostteil Deutschlands empfindlich behindern können. Es muß viel bewältigt und verkraftet werden. Neue Verkehrs- und Logistikkonzepte, nicht nur bei der Öffentlichen Hand, sondern auch in der Privatwirtschaft, sind gefragt. □

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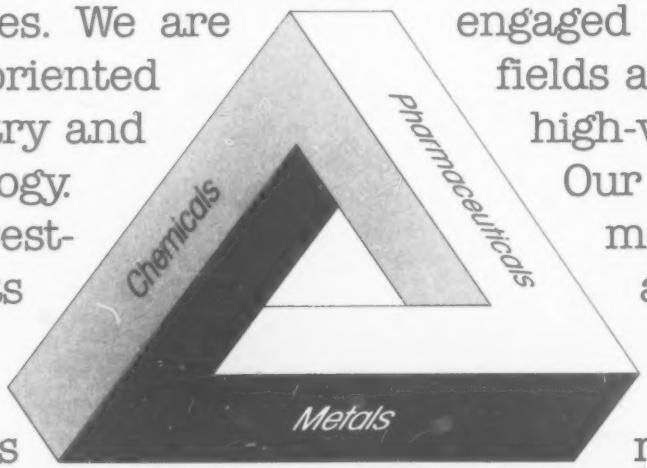

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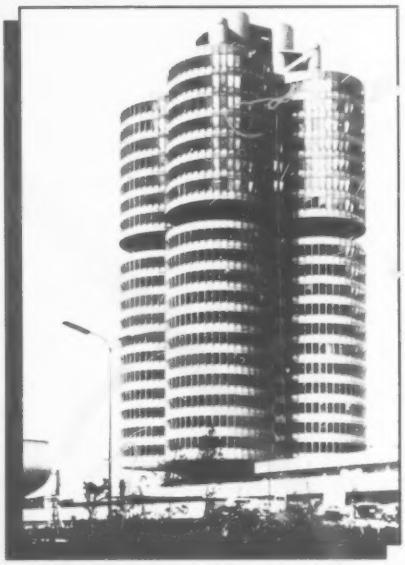

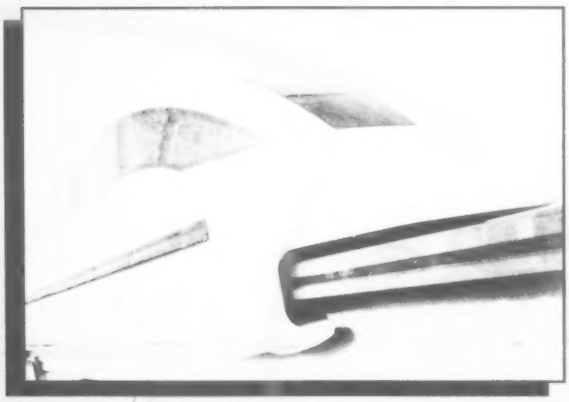

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Handel und Investitionen in Europa und den Vereinigten Staaten: Neue Herausforderungen, neue Chancen

Business Opportunities in Europe and the United States: New Challenges, New Opportunities

Hans Peter Stihl
President
Association of German Chambers of Industry and Commerce (DIHT)

When travelling abroad, the President of the Association of German Chambers of Industry and Commerce has two prime tasks. He has to keep his ears open to hear what other countries think about German industry and its situation. And, of course, he has to keep the representatives he meets in other countries informed about the state of our economy, its problems and prospects — and try to gain their understanding of German concerns. I feel in today's world in particular, in a period in which the global political situation is changing faster than ever before, and the socialist bloc in Europe has collapsed, we have a lot to talk about with our American friends.

The aftermath of the last World War, the East-West conflict and the division of Europe and Germany — all that has been wiped out in only a few months. Now there are very promising beginnings for a partnership between the United States and the Soviet Union. A united Germany can only welcome any such development.

We see with great satisfaction that almost all of the former socialist states are on their way to democracy and are using all the means at their disposal to replace their centrally-controlled, planned economies with market economies. This development is the best confirmation of our basic values in the West: human rights, democracy and freedom.

As a German who will benefit from these favorable changes in Europe, may I thank the American people and the government of the United States for their determination in standing up for the freedom of Germans after the Second World War. We will never forget.

New Beginnings, New Challenges

The end of the East-West conflict has barely become a historical fact and up comes a new challenge to the world, the Gulf crisis — which may possibly be a long-term problem. I'm referring to the clash between the different forms of religious fundamentalism or one could also say

. . . the political weight of nations in the Nineties will depend . . . (on) . . . their economic efficiency.

religious fanaticism, especially in the Arab world. But I would like to come back to this point later.

I feel that now that the East-West conflict has ended, the political weight of nations in the Nineties will depend much less than before on their military strength. Much more important will be their economic efficiency and ability to prove themselves as an attractive location for companies in international competition. If these assumptions are correct, this will have far-reaching consequences

for the distribution of power throughout the world — at least in the medium term. Only the U.S. is a military and economic superpower at present. The Soviet Union was never one in economic terms, and will steadily lose its military strength in the future. The European Community and Japan are not military superpowers, but they do have considerable economic clout. The significance of Europe and Japan will grow as more importance is attached to economic and industrial prowess.

The theories of Paul Kennedy in his best selling book *The Rise and Fall of Great Powers* shook the self-confidence of many an American some time ago. Let me say as a German: Although many of his theories make exciting reading, I see no reason for Americans to feel inferior, and

But I would warn against the belief that our idea of a free market economy will remain unchallenged . . .

absolutely no reason for a new wave of European smugness. In Germany; I tend to counter this by pointing out the little-known fact that the gross national product (GNP) per capita in the European Community equals barely 75 percent of the U.S. average. Only the richest EC countries come anywhere near this average - let alone the fact that there is no country in the EC which comes close to the peak values of some U.S. states. This comparison still speaks in favor of the United States.

However, I don't think that the downfall of the Communist ideology means that we in the West can sit back and relax. The end of the East-West conflict has indeed strengthened Europe and the West. But I would warn against the belief that our idea of a free-market economy will remain unchallenged for ever more and socialist fantasies left locked away. On the contrary, I am afraid that the *market economy* label will be abused in many places and the very fiber of the free-market system will be undermined in the process. A good example of this is the discussion about the introduction of a market economy in the Soviet Union. Although it is desperately needed, very few Soviet citizens have the slightest clue as to what a market economy actually means.

However, on the whole, the legal framework will become more market-economy-oriented throughout the world and thus give private enterprise more scope for creative thinking and action. Against this background, Europe has recently generated great expectations among international investors as part of the U.S.-Japan-Europe triad. The dynamism of the single European market, the unification of the two Germanys, the liberalization of the Eastern Bloc and the creation of a substantially unified European trading area — all this has noticeably increased the standing of Europe as the future center of world economic growth. To use the words of journalists: *Europessimism is out, vive Europhoria*.

While a positive assessment of Western Europe is justified at the present time, there are still too many question marks hovering over Eastern Europe. It is still not clear how the long and painful reform process in the East can be overcome without the complete destruction of entire economic structures. This problem remains on the agenda; especially as the reform processes could be severely hampered by feuding nationalities in the Soviet Union, the mounting balance of payments problems in that country and the conspicuous deterioration of living conditions in the former socialist states.

The political and economic changes in the socialist countries also alter the outlook for development of the world economy. As they change systems, the prerequisites for favorable economic growth of their national economies are created. The transition from a centralized, planned - economy to a market economy — and the greater integration in the international division of labor associated with it — naturally incurs some fractional losses. Viewed in the medium term, however, these countries will generate appreciable growth potential for the rest of the world.

The national economies of the East will remain — for an extended period — dependent on importing capital and consumer goods from the West. Practically everything has to be renewed in those countries. This means that a new market is being created with an enormous sales potential for the industrial countries of the West. But the big open question here is how it is going to be financed: Countries like Poland, Hungary and even the Soviet Union are already in the middle of debt and solvency crises. As a result of the capital requirements of those countries, the competition for capital in the West will also increase and be accompanied by high rates of interest, possibly even higher than they are at present.

For this reason I expect that many an industrial sector in the West will run into considerable pressure to adjust in the face of higher interest rates and growing competition from more efficient national economies in the Far East.

At the present time the economic boom in Western Europe is losing some of its momentum anyway. After eight years of extraordinarily stable economic growth, rising profits and a revival of the investment boom, we now find ourselves in a phase of uncertainty. And it is the Gulf crisis that is mainly responsible for this situation. Higher oil prices will have a negative effect on growth and inflation. We have to assume that growth rates will dip about one-half percent. Nevertheless, there is no danger of

Europessimism is out, vive Europhoria.

a recession in Europe. On the contrary, it is comforting to find that the loss of growth to date is not anywhere near that of the oil crises at the beginning or even the end of the Seventies. The European economies can absorb the effects of the current increases in oil prices through much better utilization of energy.

But it would appear at the moment that there may not be a peaceful solution to the crisis of the Gulf region. The result of a military conflict and its effects on the international economy cannot be foreseen. The saying that "nothing will ever be the same again" could well apply to this crisis.

I would like to make a personal comment on the Gulf

crisis at this juncture: As far as I am concerned, the crisis shows above all else that the alliance of Western values has lost none of its significance. A united Germany must very quickly decide how it wants to live up to its growing international responsibilities. But, at the same time, I would like to ask our American friends to understand our position: The present reluctance of German political leaders to become militarily engaged outside the NATO

. . . there is no danger of a recession in Europe.

area is the result of bitter experience stemming from the Nazi era. And it, in turn, is the result of commitments written into our constitution with the agreement of our allies. However, if there is now an international consensus that the role of the Germans, as part of the free world, has changed — then Germans should take part in international crisis management just as other peoples do. I am sure that the required parliamentary majority for the necessary amendment to our constitution exists.

I would like to add a further personal comment: I have absolutely no understanding for the fact that certain German companies have entered into criminal business deals with dictators — violations of the laws of our country — which have now put the dictators in a position to threaten people in their own and other countries. There is no excuse for such conduct. I feel all of us in the West should critically examine our attitude toward such nations. The simple sentence: "The enemy of my enemy is my friend" has no place in today's politics.

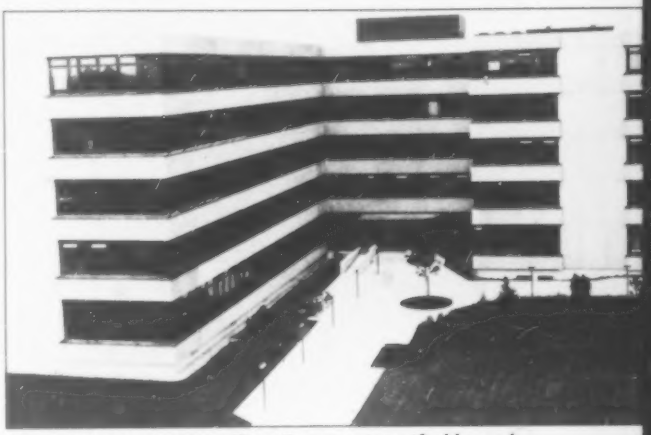
Restrained Optimism

The effects of the Gulf crisis are greater on the American economy than on that of Europe. Estimates put the loss of growth in the U.S. at about 1 percent. That would make it twice as high as the estimates for Europe. In addition, there will probably be a deterioration in the American balance of trade — because energy consumption, especially oil consumption, is higher in America than in Europe. Since more than 50 percent of American oil consumption has been covered by imports in recent times, the American oil bill will go up considerably as a result of the price hikes.

You have probably noticed that the Gulf crisis has triggered a steep drop in prices on the stock markets, not only in the U.S. and Japan, but also on some European markets. This has caused investors to think more carefully about the efficiency of European industry under these more stringent conditions. Weak economic growth, in

In Europe, long-term growth plays a much more important role. We pay less attention to quarterly results.

Great Britain in particular, and the recent discussions in the Federal Republic of Germany about the cost of German unification tend to introduce a degree of uncertainty in the outlook for interest rates — quite apart from the fact that



Heavy U.S. investment in West Germany is typified by such giants as Digital Equipment, whose German headquarters is located in Munich.

monetary policy in Europe over the last two years has been on a restrictive course in any case.

Several large European companies, in the chemical industry for instance, have reported a decline in profits which has been serious in some cases. However, I would like to stress that such numbers are often over-rated in the U.S. In Europe, long-term growth plays a much more important role. We pay less attention to quarterly results. Furthermore, by European standards, the profit situation in the chemical industry, and also in banking, has been outstandingly good over the last few years. For this reason the fall in profits can be regarded as nothing more than a process of normalization.

We Europeans are more anxious about economic developments in the United States. We read daily, and with great interest, of the dispute in the media and among economic institutes as to whether a recession has already arrived in the U.S., whether it is just about to arrive or get even worse.

Leybold AG is one of many German manufacturers who are heavily dependent on foreign markets for their prosperity.

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Over half a century ago, J.P. Morgan, Jr., said, "The clients' belief in the integrity of our advice is our best possession."

As far as the economy is concerned, we in Europe are currently in a slightly better position than the U.S. Our upswing is still being sustained by an investment boom. Apart from a few exceptions, we still have to struggle with bottlenecks in production. In my opinion a temporary economic downturn would not have any great influence on investment plans. I also believe that the development of the European economy is no longer quite so dependent on the economic situation in the U.S. as it was at one time. That also holds true in terms of the vulnerability of European currencies to a weak dollar.

In the first half of 1990, the American trade deficit amounted to $46 billion. Compared with the same period last year, that is a 15 percent improvement. And it is

As a businessman, I don't invest just because I will receive a one-time subsidy.

nominally the lowest half-year result since 1983. It was achieved because U.S. exports were 8 percent better than the previous year and imports climbed only 3 percent in the same period.

In connection with the trade deficit, there is good news and bad news for the U.S. Let's hear the bad news first: U.S. companies once again produced the highest deficit by far with Japan, amounting to $20 billion. The good news: Compared with the previous year, the deficit was down some 20 percent. But the really good news comes from trade with the European Community —with which the U.S. achieved a surplus of more than $5 billion in the first half of this year. That is primarily the result of the major increase in American exports to the Community. And the surplus might even increase when the single European market comes into being. I'm not saying that in order to cover up the German trade surplus. In Europe, we don't bother to check whether or not we have a trade surplus with California, for instance.

1992 Good for the U.S.

The Administration has rightly cited the much improved competitiveness of U.S. industry on world markets as the chief reason for the steady reduction in the American balance of trade deficit. The dynamic thrust of U.S. exports, with capital goods as one of its main standard bearers, has already made a decisive contribution to support a weakened U.S. economy. This can be explained by the new export-orientation of U.S. companies who are seeking new markets to make up for the slackening demand on the domestic market. Great hopes are being placed on sales opportunities in Europe.

In the meantime, the worries in the United States regarding the single European market have been practically swept away. I am sure that American industry has been convinced for some time that it will be able to participate in the growth of the EC. Indicators for this are, for example, the numerous American acquisitions in the EC. This assessment of the situation has been substantiated in recent times by several hearings in Congress and reports from the Administration which come to the conclusion that, with a few special exceptions, American products have no new restrictions to fear.

Among the leading industrial organizations in the United States, the National Association of Manufacturers has studied the single European market intensively. I have

A major port for U.S. exports and imports: the Red Hook Container Terminal at the Port Authority of New York and New Jersey.

read with interest their latest detailed comments on this subject. In the meantime there is, I feel, general agreement in the United States that American industry will — on the whole — benefit from the completion of the single European market. This becomes clear, for example, in the way NAM comments on the reciprocal recognition of test results and testing procedures, and it must be admitted that the EC has adopted an accommodating attitude in this respect. I also consider the latest statements on the subjects of public procurement contracts, the regulations concerning country of origin — and on sectoral issues such as electronics, telecommunications and automobiles — to be quite remarkable.

I cannot fully agree with the statements of NAM on the subject of subsidies. According to NAM, it is to be expected that government grants to industry will flow increasingly from the European regional development fund in future in

. . . the U.S. market has lost the Number One position it occupied for many years as far as German companies are concerned.

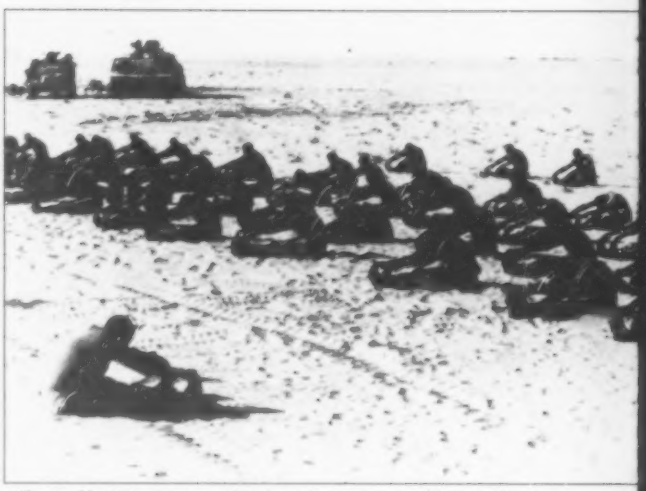
place of the present subsidies. It suggests that American companies would be well advised to consider this when choosing a location in Europe. NAM says that Japanese investors are already taking advantage of this development by investing in structurally weak areas.

This may well be true in one or two cases. But I am convinced that even the use of public money from the European regional development fund, just like other similar incentive schemes, has only a very marginal influence on the choice of location and associated investment decisions. This is something we are now able to observe in the case of investments in the enlarged Federal Republic of Germany. I'm talking of my own experience. As a businessman, I don't invest just because I will receive a one-time subsidy. As far as I am concerned, the decisive criterion for investment is the long-term return on capital. Unfortunately, some politicians don't want to — or can't — follow this line of reasoning.

I suggest it is far more important to strengthen the competitiveness of the companies themselves. By that I mean a reasonable taxation policy, not a policy of subsidies. As to the choice of location of German and American companies in other countries, recent surveys carried out by the Association of German Chambers of Industry and Commerce have confirmed that the main concern of companies is to secure and expand their market positions. The principal aims, of German investors at least, in establishing themselves in other countries, are to open up new markets, hold on to existing market shares, be immediately present on large and dynamic markets and service those markets.

Demystifying Foreign Investment

German companies will step up their foreign investments throughout the world on a substantial scale. There will be a major increase in their involvement in many



"The Gulf Crisis may possibly be a long-term problem." Above, U.S. troops in physical training exercises in Saudi Arabia.

countries. The more than 1,000 companies surveyed want to boost their foreign investment by 56 percent between 1990 and 1992. There are manifold reasons for the rush into foreign markets, such as the preparations for the single European market and the general trend of internationalizing company policy. Another significant factor is that the recent expansion of the European Community has introduced a number of interesting locations, such as Spain and Portugal.

The survey shows that German foreign investments in the next few years will concentrate on EC countries and the United States. Spain and France are particularly attractive in this context. The U.S. follows Great Britain as Number Four in the scale of priorities. The large North American market and the high technical standard of the region continue to remain attractive for German investors. Nevertheless, the U.S. market has lost the Number One

The flow of our investment capital into the United States in the latter half of the Eighties amounted to DM 35 billion . . .

position it occupied for many years as far as German companies are concerned. The four Far Eastern threshold countries, Korea, Taiwan, Singapore and Hong Kong, which previously had a minute share of German foreign investments, have now become increasingly attractive to German investors.

As they are, these investment plans prove that any fears existing abroad that Germans would now only take care of themselves and Eastern Europe are completely unfounded. We belong to the West in all respects - politically and economically. Less than 5 percent of our exports have gone to the socialist world - such as Cuba, the Soviet Union and the Peoples' Republic of China. You have to agree that is really an insignificant share.

In total, the annual foreign investments of German companies have reached the DM 20 billion level. They are now nine times higher than they were in 1970. The reported level of German holdings abroad more than doubled in the Eighties and is currently at some DM 200 billion. The number of German investors engaged in foreign business has also risen dramatically — it is now up to 6,400.

In 1988, German investors owned more than 1,600 companies abroad, of which one-quarter were acquired or founded only in the past few years. The flow of our investment capital into the United States in the latter half of the Eighties amounted to DM 35 billion and was twice that of the first half. The United States' share of the total transfer of investment capital accounts for some 50 percent. It is thus plain to see that the commitment of German companies in the U.S. was particularly high at a time when the idea of a single European market had already come into being and had already been implemented to a considerable extent. For me that is a convincing argument in proving the point that German companies do not neglect important existing markets, even when changes open up in new areas. Thanks to their worldwide involvement, they are quite capable of operating in all major regions.

Instead of welcoming the high level of foreign interest — if only for the fact that foreign companies create jobs in exactly the same way that American companies do — the debate on the consequence of the substantial increase in foreign direct investments in the United States continues. In Congress, interest is focussed on legislation under which an improvement and extended accessibility of the data base on the growth of foreign direct investment is to be achieved. Fortunately for all sides, the activities directed at restricting the involvement of foreign investors in high technology sectors by way of an amendment to the Exon/Florio provisions of the commercial code have failed.

At the same time, leading U.S. politicians continue their efforts to influence the decisions of the Administration as to whether the takeover of U.S. companies by foreign investors should be turned down in certain cases for reasons of national security. In this connection it is primarily Japanese companies who are the target of U.S. efforts to stop the alleged manipulation of inter-company pricing by introducing more stringent documentation and thus guarantee — as they say — fair taxation of foreign investors.

German investors are also more than a little upset by this discussion. On the one hand, they are being accused by their own tax authorities that the inter-company prices for products they buy from their own subsidiaries are too high. It is said that profits are being left in the United States that should be taxed in the Federal Republic of Germany. On the other hand, the U.S. Internal Revenue Service claims the exact opposite. It is of the opinion that the inter-

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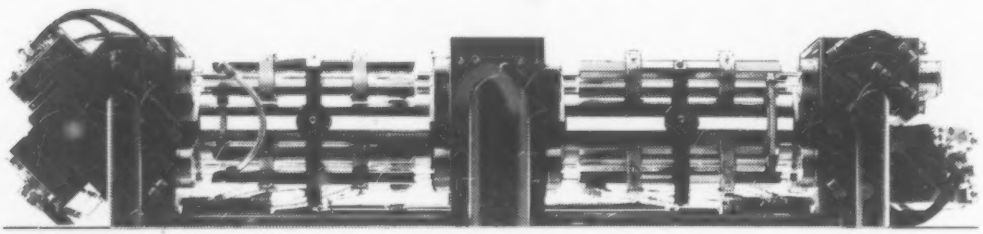

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company prices are too low, and unacceptably high profits are being transferred to Germany. If you ask me, I would say that the view of the German fiscal authorities is probably nearer the truth. After all, the rates of taxation in the Federal Republic of Germany are double those of the United States. Now, why should a company use excessive inter-company prices to transfer excessive profits to the Federal Republic of Germany where it has to pay the penalty of higher taxes for its efforts? I'll leave the answer to your own judgement.

Forward Together

Allow me to finish by looking at a subject which is of key importance to the further development of world trade even though it has been pushed aside by us in Europe due to the recent events in Germany, Eastern Europe and the Soviet Union. I'm referring to the current GATT round of negotiations that are due to be concluded in December. A successful conclusion to these talks is in the interests of all trading nations. In order to eliminate protectionist trends and utilize the new dynamism across the world, we need a multilateral trading system with distinct and practicable rules, which operates smoothly and effectively.

What we do in agriculture contradicts all reason. Three-quarters of the EC budget is spent on subsidies to agriculture.

Until that becomes a reality, there are indeed a number of obstacles to be overcome, and I am aware that agricultural policy remains the biggest stumbling block. If no noticeable progress can be achieved in agriculture, the negotiations may well break down. I have to admit that I really appreciate the pressure exerted by American negotiators on the European Community (EC) to actually implement the promised substantial and gradual reduction of support and protection in the agriculture sector. What we do in agriculture contradicts all reason. Three-quarters of the EC budget is spent on subsidies to agriculture, a branch of the economy that contributes less than 10 percent to the gross national product of the European Community. In doing this we are also destroying the chances of developing countries to earn money on world markets, which they desperately need to develop their countries and service their debts. I feel there can be no solidarity with the Third World without a thorough reform of our agricultural policy.

The GATT package contains many important points, including the textile and service sectors, arbitration, escape clauses, anti-dumping measures and protection of intellectual property. I hope the negotiators succeed in assembling a balanced package for all members, including developing countries. I hope that the new GATT agreement will leave companies with sufficient scope

- to open up new markets,
- to launch new products on the market, and
- to utilize the growth potential thus created.

I am convinced that the chances are equally good on both sides of the Atlantic. We can master the challenges, by acting together, not against one another politically, and compete for the best ideas on the economic front. □

Überblick

Handel und Investitionen in Europa und den Vereinigten Staaten: Neue Herausforderungen, neue Chancen

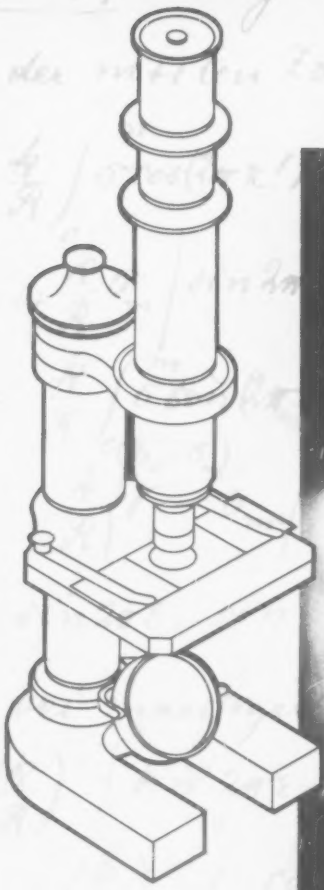
Hans Peter Stihl, Präsident des Deutschen Industrie- und Handelstages (DIHT), nimmt in diesem Beitrag Stellung zu aktuellen weltpolitischen Entwicklungen und ihre Auswirkungen auf die internationalen Wirtschaftsbeziehungen.

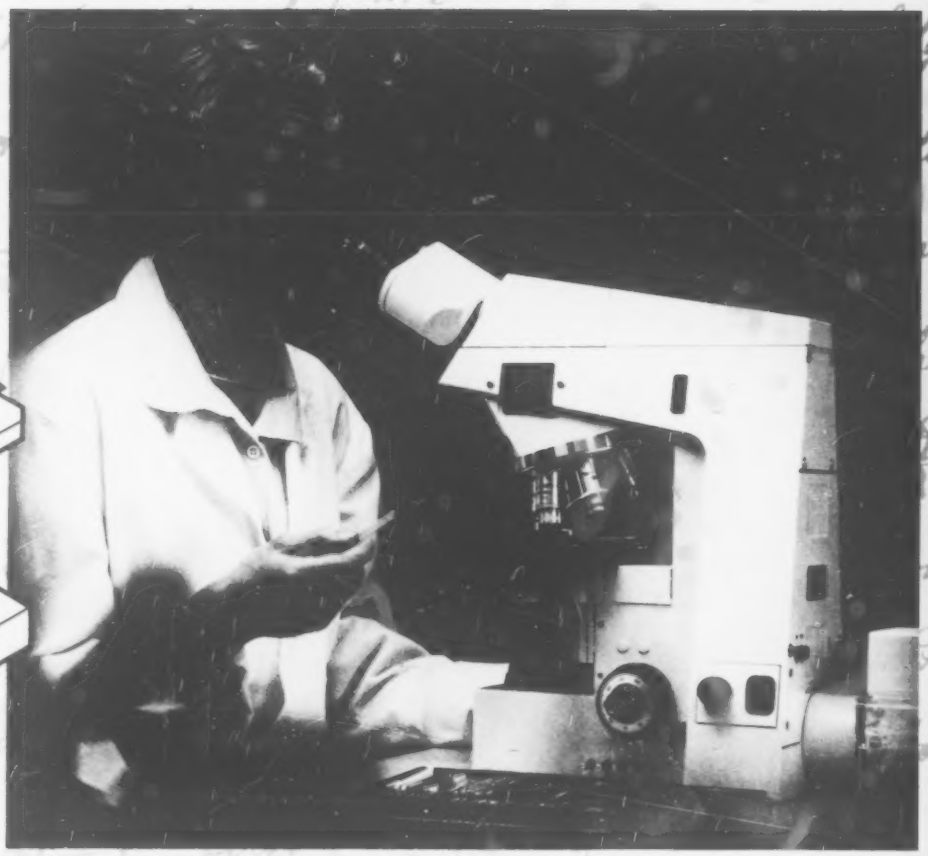
Nachdem der kalte Krieg zwischen Ost und West nun endgültig der Vergangenheit angehört, wird in den kommenden Jahren das politische Gewicht eines Landes weit weniger von seiner militärischen Stärke abhängen als vielmehr von seiner wirtschaftlichen Leistungsfähigkeit, verbunden mit der Fähigkeit, sich als attraktiver Investitionsstandort im internationalen Wettbewerb zu behaupten. Während der wirtschaftliche Aufschwung in Westeuropa weiterhin von einem Investitionsboom getragen wird, sind die Aussichten für Osteuropa aufgrund des langwierigen und schmerzhaften Reformprozesses weniger rosig.

Die Vereinigten Staaten spüren ihrerseits wie kein anderes westliches Industrieland die Auswirkungen der Golfkrise. Sie leiden immer noch unter ihrem hohen Handelsbilanzdefizit, auch wenn es dank der beachtlichen Fortschritte bei der Wettbewerbsfähigkeit der US-amerikanischen Industrie auf dem Weltmarkt und einem spürbaren Anstieg der Exporte von Investitionsgütern kontinuierlich abgebaut werden konnte.

Auch in Deutschland wird das internationale Engagement merklich ansteigen. Deutsche Unternehmer planen bis 1992 eine Ausweitung ihrer Auslandsinvestitionen um 56 Prozent. Zielländer sind insbesondere die EG-Staaten, vor allem Spanien und Frankreich, und die USA. Heute belaufen sich die jährlichen Direktinvestitionen deutscher Firmen im Ausland auf DM 20 Milliarden, das Neunfache des Standes von 1970. Ca. 50 Prozent des Kapitaltransfers gehen in die USA.

Vor dem Hintergrund einer immer größeren Verflechtung der Weltwirtschaft sind die im Dezember 1990 zu erwartenden Ergebnisse der GATT-Runde, insbesondere im Agrarbereich, von essentieller Bedeutung und im Interesse aller Handelsnationen. Der Autor ist der Überzeugung, dass die Chancen auf beiden Seiten des Atlantiks gleichermaßen gut sind und mahnt zu politischer Zusammenarbeit und wirtschaftlichem Wettbewerb. □





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Deutschlands stilles Wirtschaftswunder

West Germany: A Business Story for the '90s

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There are signs that the Japanese are opening up, changing. Their positive trade balance is down. Savings aren't what they used to be. The population is aging fast. Young and old alike are becoming spenders. Japanese firms have toned down their export orientation and are shipping production offshore with almost reckless abandon — on the one hand, to low wage havens in Asia; on the other, to achieve insider status in Europe and the United States. Among others, Economist magazine management editor Bill Emmott chronicles these fissures in the Japanese miracle in his new book, *The Sun Also Sets*.

While I hardly recommend writing off the Japanese, I think there is another story at least as noteworthy. In short, what about the other, and perhaps more durable, miracle — West Germany?

Comparison with Japan

Its wages top the charts, and per capita income is near the top, too (above Japan, on a purchasing-power basis). West Germany leads the world in exports —on a per capita basis, it exports a stunning 2.5 times more than Japan. And unlike Japan's export dependence on a few industries, a few companies and the U.S. market, West Germany's exports are spread widely among industries, firms and nations. As a trader, West Germany draws little fire from critics. Its markets, some say, are the most open in the world; West German per capita imports run three times higher than Japan's, twice as high as the U.S. On net: a positive trade balance that's as large as Japan's, from a nation with half Japan's population.

. . . the best is yet to come . . . the Single Market in Europe in 1992, and West Germany's unique window on Eastern Europe

Moreover, though gloom spread through West Germany a decade ago (and unemployment remains high at 8 percent), the miracle today seems on stable footing, even if some of the sizzle is gone from the productivity gain figures of the '60s. And it's possible that the best is yet to come: The realization of the Single Market in Europe in 1992, and West Germany's unique window on Eastern Europe (as an export market, and as a source for business partners and sorely needed, highly-skilled labor).

Appreciating German Management

Given the above, why does a computer search reveal so little material on West German management? Why don't the book store shelves at Stanford contain a single volume

* Three of his best known books are: *In Search of Excellence* (1982) co-authored with Bob Waterhouse; *A Passion for Excellence* (1985) co-authored with Nancy Austin; and *Thriving on Chaos* (1987).

German management has translated the free-market philosophy of Ludwig Erhard into practice.

on West German management practice? By contrast, Japanese management assessment has become an industry unto itself.

I've spent some time of late visiting in West Germany, and searching dusty archives for occasional references to German management and economic structure. From these preliminary gleanings, some relatively clear contours emerge. As with the Japanese, the story is muddied by cultural differences that are difficult for us to grasp, should we be interested in emulating bits of the German approach. (Americans in pursuit of quality improvement, for instance, are unlikely to cotton to "perfectionism to the point of neurosis," as one author describes the German approach.) But we've been able to learn a lot from the Japanese, and the East/West cultural gulf is, to say the least, far wider than the German-American separation.

Many have assigned . . . the credit for Germany's matchless and sustained productivity growth to its apprenticeship program.

I've isolated eight factors, which working in tandem explain a great deal of West Germany's success. I also suggested implications for U.S. managers and policy makers.

1. Training.

The Germans are training fanatics. It's cultural, not programmatic. You can trace the origins back 500 years, to the guilds that arose during the middle ages. Today's outcropping is the 150-year-old apprentice program, cited by many as the single most significant root of Germany's current economic success. About a million young folks each year, from bankers-to-be to machine-tool makers, join the program. The particulars vary, but typically the apprentice (Azubi) spends two or so days per week at work, two or so days per week at a "vocational" center, for three years. Both the company *half* (classes and on-the-job training) and the school *half* are hyper-organized. Vocational school in West Germany *(Berufsschule)* bears little or no resemblance to its often discredited U.S. counterpart. First, the schools earn the utmost respect of the man on the street. Second, they are rigorous in academic content to a fault. In fact that's the real point: The entire program is taken very seriously by Germans of all stripes. Even a consultant friend, now sporting a Ph.D., proudly served his apprenticeship in Deutsche Bank. Companies vie for would-be apprentices (who are paid little), based upon the reputation of their programs. Regional governments abet the process to make their regions relatively attractive. While others in Europe had somewhat similar traditions, most have dropped their apprentice programs as anachronistic — the West Germans modernized theirs instead.

The implications of the above are staggering. Many have assigned a great deal of the credit for Germany's matchless and sustained productivity growth to its apprenticeship program. West German workers are highly skilled. They are also broadly skilled. They are by-and-large technology fiends, not technology shirkers. *Flexible manufacturing systems*, for one, are more readily implemented in West Germany, because workers (union or not) cotton to them, rather than fight them as they so often do in the U.S. Moreover, the German bias for training also naturally leads to an instinctive corporate and national bias for retraining.

Implications for U.S. managers: It's been said, but it can't be repeated enough: The days of narrow specialists and unskilled workers are past. Relative skill (company, industry, region, nation) will be the developed, high-wage nation's ticket to future ascendance, stagnation or decline. The Japanese, Koreans, Taiwanese, Singaporians — and West Germans — clearly understand this. We don't. We must become obsessed with high-skill training and retraining ("corporation-as-university," I call it), or else. The West German story is tough to emulate — the roots are ancient, and the degree of business/government (all levels)/societal cooperation and involvement is exceptional.

2. Labor Harmony.

In 1983, the West Germans lost 41 *thousand* days to strikes. The United States lost over 17.5 *million* days the same year — and we're not a strong-union nation. Pay in Germany is the highest in the world. Holidays and vacation days number 39 per year (23 is the U.S. norm). The work week is the world's shortest at 38 hours. (And heading for 35 or 32, though the West Germans already work 450 hours a year less than the Japanese, 200 hours less than we do.) But ironically, the high pay and short hours may be a boon, not a millstone: Even with their high productivity, the West Germans don't have the option of

The pursuit of superior product quality . . . marks most German outfits, from bottom to top.

competing in anything other than the highest value-added (highest cost/price) niches of the global marketplace.

Strike manpower losses are low in part because post-war law makes it extremely difficult to strike. But the law is not the point. More important, and in contrast to our recent and often stilted efforts, consultation and involvement and partnership between labor and management is a long-standing German tradition. Yes, there is the supervisory board in Germany, which consists of one-third to one-half labor members in sizable firms. All information about business affairs is available to it, and management (and the more important management board) must justify all decisions to it. But most agree that this ballyhooed part of the consultation process is not as important as the works councils *(Betriebsrat)*, started by Bismarck over a century ago. In all firms of over five employees, unionized or not, workers can demand the formation of a works council. Though having little formal authority, its importance is monumental: It symbolizes a no-baloney commitment to sharing responsibility with workers.

the Germans are relentless creators of smallish . . . very high value-added niche markets.

Implications for U.S. managers: Don't let me glamorize the West German labor situation. As the Asians increasingly target European markets, the stratospheric West German wages may cause problems — top West German industrialists make this point, though much of what they say can be discounted, since they are in the midst of the run-up to a major labor negotiation. Nonetheless, there are two things we can learn: First, West Germans do by and large accept high wages, and routinely seek productivity gains and higher-value markets to offset the wage *disadvantage*. We still look nostalgically to our days (long gone) as a low-wage/low-cost producer, fruitlessly hoping to roll back wage demands or mindlessly shipping production offshore to temporary low-wage outlets. Second, the West Germans harvest abundant fruit from an overall consultative attitude; the emerging competitive requirements are greatly abetted by a framework (and attitude) that includes routine and thorough going labor/ management discussion and information exchange.

3. Quality/perfectionism/constant improvement.

The modern West Germans can't compete with the U.S. in volume of major science prizes captured. But they offset the deficit with *technical flair*, as one long-time observer puts it. The pursuit of superior product quality, an obsession with manufacturability and constant product and process improvement — i.e., perfectionism — marks most German outfits, from bottom to top. Technology leadership is frequently absent. But even more than the vaunted Japanese, the Germans make up for not being first by being best and persisting until matchless levels of productivity and quality and efficiency are reached.

Part of this penchant stems from the long-standing respect for artisans. Part stems from the technical background of almost all execs (even in the service sector — an economics degree, not a management degree, will be the banker's credential). Part, I suppose, comes from the ceaselessly analyzed *German soul*. Whatever the origin, the force is real and a potent advantage — especially among high-wage nations today, all in pursuit of sustainable competitive advantage through the creation of high value-added products.

Implications for U.S. Managers: It's no coincidence that our two chief competitors, in this high value-added era, are thumping us on quality and constant process improvement. The Japanese are obsessed with speedy incremental improvement and pour their R&D dollars into process more then product. The German approach, virtually the same, is less learned and more instinctive, compared to the Japanese. Meanwhile, the Americans play leap frog, pouring bucks into new product R&D, and constantly shortchanging process improvement. The bases for the difference run deep (see the first two factors, for instance); but no matter — these are tendencies that we must get better at, fast.

4. Business strategy I: Niche markets.

The Germans, according to my German friends, never fully bought into *the Fordist paradigm* — that is, mass production as practiced in the U.S. and Britain. From

Medium-size companies in Germany eat, sleep, and breathe export Above, a container terminal in Bremerhaven.

automobiles to chemicals to machine tools to textiles, the Germans are relentless creators of smallish (regardless of company size), very high value-added niche markets. This has historically been the Germans' game. And since the Japanese have started to close in on them (e.g., autos, machine tools), the effort to pursue the very high value-added-niche has redoubled. One analyst, for example, estimates that in industrial machining, Germany's largest export market, over two-thirds of sales come from *one-of-a-kind* products — talk about a tendency to specialize and customize!

Implications for U.S. managers: It's a nicheman's world and we are learning that lesson. Too many of our giant firms, though, still find it tough to pursue $5-$50 million markets — and continue to look exclusively at the *big bet*. We can learn from the West Germans (and the Japanese and a few U.S. outfits, like 3M) that even the biggest outfits can prosper from the fast pursuit of modest-size, high-value markets.

5. Business strategy II: The Mittelstand.

My first awareness of the Mittelstand phenomenon was back-handed, dating from July of 1989, when *Business Week*'s "Global 1000" appeared. Thumbing through the list, I was struck by the absence of German firms. Germany, to me, was Siemens, BASF, Daimler-Benz, the publisher Bertelsman — the essence of Germany's commanding positive trade flow. Not so, the story shouted between the lines. There are 345 Japanese company names on the Business Week list, 353 American entrants — and 30 from West Germany. What's up?

I've spent most of the last five months trying to ferret out the answer to that question. What's up, it turns out, is the Mittelstand, Germany's mid-size companies, which even big-firm executives in that country acknowledge as the backbone of the nation's singular success. To begin

. . . the Mittelstand, Germany's mid-size companies . . . the backbone of the nation's singular success.

with, defining the Mittelstand is tough (just as defining small/mid-size business —much less revered — is tough in the U.S.). The most useful numeric estimate is the 15,000 firms (9,000 in manufacturing) with revenues between DM10 million and DM1.5 billion ($6 million to $900 million).

The Mittelstand dominate, make no mistake, the most powerful sector of the German economy — machinery (including, most important, machine tools). But they also, for example, have a commanding presence in chemicals. The three giants, BASF, Bayer, Hoechst, produce only one-quarter of that industry's output. Another 1600 chemical firms, almost all of them with less than 500 employees,

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account for the rest — most, as is typical in Germany, in *fine* (specialty, high value-added) chemicals.

The Mittelstand, say its denizens and observers, have a host of advantages. They are consummate niche players by profession. They take full advantage of Germany's appren-

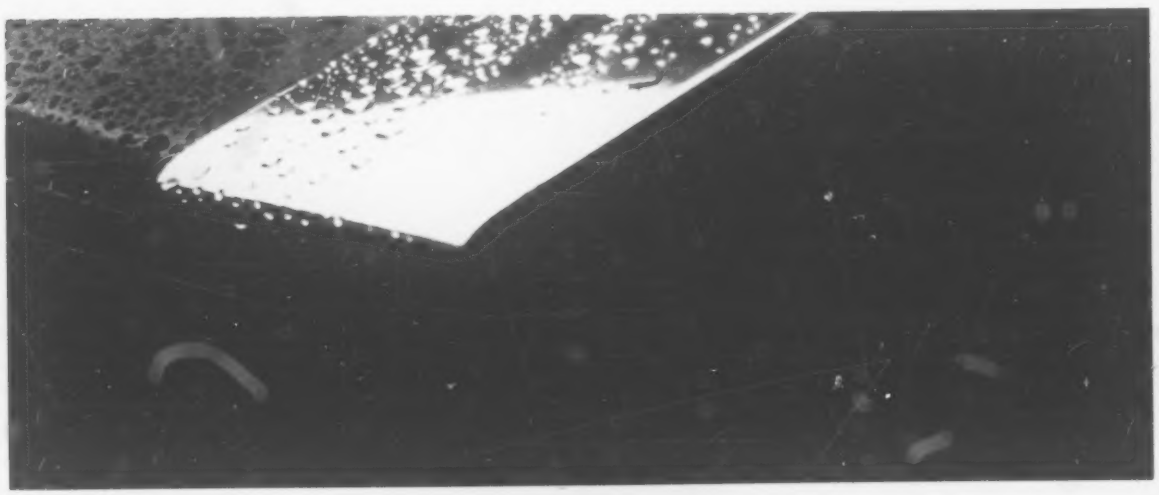
. . . the Mittelstand's biggest advantage — a majority eat, sleep and breathe export . . .

tice system. Their workers are very broad-based, not specialists; Mittelstanders criticize big-firm apprentice programs for turning out conservative, narrow-gauge bureaucrats. Relations with the work force are usually *paternalistic* among the Mittelstand (i.e., close and often social) — not a dirty word in Germany as it is in the U.S. The firms and their workers are remarkably flexible, and will try anything to hurriedly get closer to a customer with a customized product.

But all the above pales by comparison to the Mittelstand's biggest advantage — a majority eat,sleep and breathe export (see below also). The U.S. is blessed with an abundance of skillful small and mid-sized firms. So is Japan (the backbone of its fabled subcontracting approach to manufacturing and distribution). But neither nation's smallish fry (with rare exceptions — e.g., an A.T. Cross or Maglite in the U.S.) instinctively *think global*. Germany's Mittelstand do. Consider the chemical industry again. Not only do the smaller firms account for most of the output, but they also account for most of the formidable export revenues.

The little warriors, as one German executive calls the Mittelstand, frequently dominate a niche worldwide. In machine tools, for instance, consider Scharmann, subject of a lengthy case analysis in Ira Magaziner and Mark Patinkin's new book, *The Silent War*. Scharmann, like virtually all of Germany's machine tool producers, was under fire from the Japanese, who have been making giant strides in high quality, computer-aided machine tools. Scharmann got a break, an opportunity to try to solve an intractable problem for Caterpillar's European operation — a challenge to automate the machining of Cat's 8-ton tractor chassis. To make a long story short, Scharmann pulled it off. The facts almost defy description. In days gone by, the monster chassis were inched around the factory, with weeks required to machine them. Machine usage was a paltry 8 percent. When Scharmann finished, machine usage was up to 70 percent, and transit time had been slashed proportionately. (The larger consequence of the Scharmann story and a hundred like it: Despite a massive Japanese incursion into machine tools, Germany's share of world markets in this leading-edge, computerized industry is at 24 percent — and rising. The long-time leader, the United States, has all but dropped off the charts.)

Germans, of course, are renowned for their *Prussian*



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rigidity. I asked a German friend whether or not this was a drawback in these *beyond hierarchy* days that I routinely describe, where flexibility-or-else is the watchword. "Ah, good point," he responded. "Our Mittelstand are our unique answer to your *destruction of hierarchy* ideas. Our biggest firms bumble along like yours. But our Mittelstand, by their very definition, are our chief anti-hierarchy forces." That is, Germany's industrial structure (regardless of any one firm's rigidity or flexibility) is *flatter* overall, thanks to the Mittelstand. In fact, the nation's *concentration ratios* in any given industry are usually the lowest among developed nations. (Curious fact, not without

We are mindlessly pursuing policies to support strategies . . . among big firms, and downplaying the role of entrepreneurs and mid-sized firms.

significance: this tendency is even true in autos. West Germany's concentration ratio is second lowest among developed nations, behind Japan's. Its success is second highest, behind Japan's. Are we Americans — and Europeans on a merger binge —really so dead certain that more concentration is the answer to global/EC-wide competitiveness in the years ahead?)

Consultation, involvement, and partnership between labor and management are a long-standing tradition in Germany.

Implications for U.S. managers (and economists, policy makers): The U.S. is beset with a *neo-industrial policy debate* and an *entrepreneurialism debate*. We misunderstand many aspects of Japan's success (e.g., its reliance on the innovativeness of small-to-tiny subcontractors) and don't even bother to try to understand West Germany. As a result, we are mindlessly pursuing policies to support strategies of collusion and collaboration among big firms, and downplaying the role of entrepreneurs and mid-sized firms. The West German case is a good reminder to watch ourselves. There is more than one way to skin the cat — and the West German way is certainly a successful approach, worthy at least of detailed study. (The West Germans, you might contend, are having second thoughts — witness the Daimler-Benz and MBB mega-merger. However, many in West Germany think it was a lousy idea. Moreover, supporters and detractors of such affairs almost all still agree upon the appropriately dominant role played by the Mittlestand.)

Our entrepreneurial sector, especially in high technology and the service sector, is peerless. But our non-giants have a major hang up: They are usually launched to take advantage of a weakness in a U.S. giant's American market strategy. They don't think export from the start, even though many have legitimately world-class products. Once again, the issue is largely one of attitude, not technique — which makes the fixing tough, but still necessary.

6. Business strategy III: Export orientation.

In a 1986 *Wall Street Journal* editorial (a rare item turned up by my computer search), Peter Drucker surmised that the chief thing that set the West Germans — managers, labor, government — apart was their export orientation. It would be difficult to disagree with him. The hard evidence is most supportive: Automobile production — 62 percent exports; machine tools, 60 percent exports; chemicals, over 50 percent exports. And, as noted, the export attitude runs the gamut of the economy. Attitude is all. West Germans, in the public and private sector, think

. . . U.S. firms must, regardless of size, develop an instinctive global mindset.

export instinctively. The Mittelstand worry about it as much as a Volkswagen or Siemens do. (Case in point: Hugo Kunze, with only 130 employees, is the world's leader in stirring, kneading and shredding machines — sporting 50 percent exports.) The unions worry about export competitiveness almost as much as management does.

One major consequence of the targeted export attitude is a failure to get trapped by the *world brand* attitude. Maybe the passion for specialism/customization will haunt the Germans someday. But don't hold your breath. The German technique is to listen to the customer — wherever he or she may be — and give them exactly what they want, fast, at a price.

Implications for U.S. managers: Part of this *lesson* is clear, part cloudy. The clear part: U.S. firms must, regard-

Frankfurt fair is where the action is.

Time-table 1991

Dates			Dates		
09.01. – 12.01.1991	HEIMTEXTIL	International Trade Fair for Home and Household Textiles	12.09. – 22.09.1991	IAA	54th International Automobile Show/ 12.09. – 13.09.1991 for trade visitors only
23.01. – 26.01.1991	ima	International Amusement and Vending Machines Trade Fair	03.10. – 06.10.1991	plantec	International Trade Fair for Horticulture
26.01. – 30.01.1991	Internationale Frankfurter Messe Papersew	Trade Fair for Paper, Office Supplies and Stationery/ Presents/Perfumes, Cosmetics, Drugstore and Hair Salon Requirements	05.10. – 06.10.1991	Frankfurter Gartenbaumesse	81st Frankfurt Horticultural Exhibition
16.02. – 20.02.1991	Internationale Frankfurter Messe Ambiente	Trade Fair for the Well Laid Table/Kitchen and Housewares/ Arts and Handicrafts, Gifts, Home Accessories and Domestic Lighting/ Pictures and Frames/Jewellery, Clocks and Watches/Stationery	09.10. – 14.10.1991		43rd Frankfurter Book Fair
02.03. – 06.03.1991	MUSIK MESSE FRANKFURT	International Trade Fair Musical Instruments, Sound and Lighting Equipment, Musical Accessories and Sheet Music	22.10. – 24.10.1991	interstoff	66th International Trade Fair for Clothing Textiles
09.03. – 10.03.1991	Frankfurter Gartenbaumesse	80. Frankfurt Horticultural Exhibition	23.10. – 26.10.1991	MANAGEMENT & MARKETING SERVICES 91	International Market for Marketing and Communication
19.03. – 23.03.1991	ISH	International Trade Fair Sanitation, Heating, Air Conditioning	02.11. – 10.11.1991		Consumer Exhibition for Living, Housing, Leisure
09.04. – 11.04.1991	interstoff	65th International Trade Fair for Clothing Textiles	02.11. – 10.11.1991	INTERNATIONALE ourtica FRANKFURT	International Touristic Fair for Holiday Travel with Motor Homes, Caravans, Camping, Water Sports
11.04. – 14.04.1991	FUR & FASHION	International Trade Fair Fur & Fashion	06.11. – 09.11.1991	Wetek	Trade Fair for Tools and Metal Work, Tool Engineering
19.04. – 23.04.1991	ART FRANKFURT	International Art Fair	07.11. – 10.11.1991	EXPOLINGUA FRANKFURT	International Exhibition for Languages, Translations and International Communication in Germany
23.04. – 25.04.1991	INFOBASE	International Trade Fair for Information Management	26.11. – 30.11.1991		AGRITECHNICA '91 and TIER & TECHNIK '91 International Exhibition for Plant and Animal Production
14.05. – 16.05.1991	TECHTEXTIL ZESPLAMA	International Trade Fair for Technical Textiles and Fibre Based Materials	31.01. – 03.02.1991	HEIMTEXTIL ASIA	Messe Frankfurt event outside Germany Tokyo Nippon Convention Center, Makuhari Messe
09.06. – 15.06.1991	ACHEMA '91	International Meeting on Chemical Engineering and Biotechnology, Exhibition-Congress	31.03. – 03.04.1991	Internationale Frankfurter Messe ASIA	Messe Frankfurt event outside Germany Tokyo Nippon Convention Center, Makuhari Messe
24.08. – 28.08.1991	Internationale Frankfurter Messe Herbst	International Trade Fair for Consumer Goods	12.11. – 14.11.1991	interstoff ASIA	Messe Frankfurt event outside Germany Hong Kong Convention Exhibition Center

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less of size, develop an instinctive global mindset. (Not necessarily *global brand* mindset, but an attitude that looks beyond North America from the start.) On the other hand, we shouldn't be drawn in by simple-minded assertions that Americans are lousy global players — we aren't. In this last decade, while American management practice has taken such a beating, America's biggest firms have quietly increased their share of world market. That wasn't helpful for our trade balance (in fact, it hurt it), because the increases came from overseas investment and production. Now West Germany's (and Japan's) biggest firms are emulating the American multinationals, which had such a head start after World War II. Though the West Germans are not frivolously farming out production to low wage areas, their chemical firms, for one, are making vast strategic investments in U.S. production. All of us have a lot to learn when it comes to dealing with the emerging global economy.

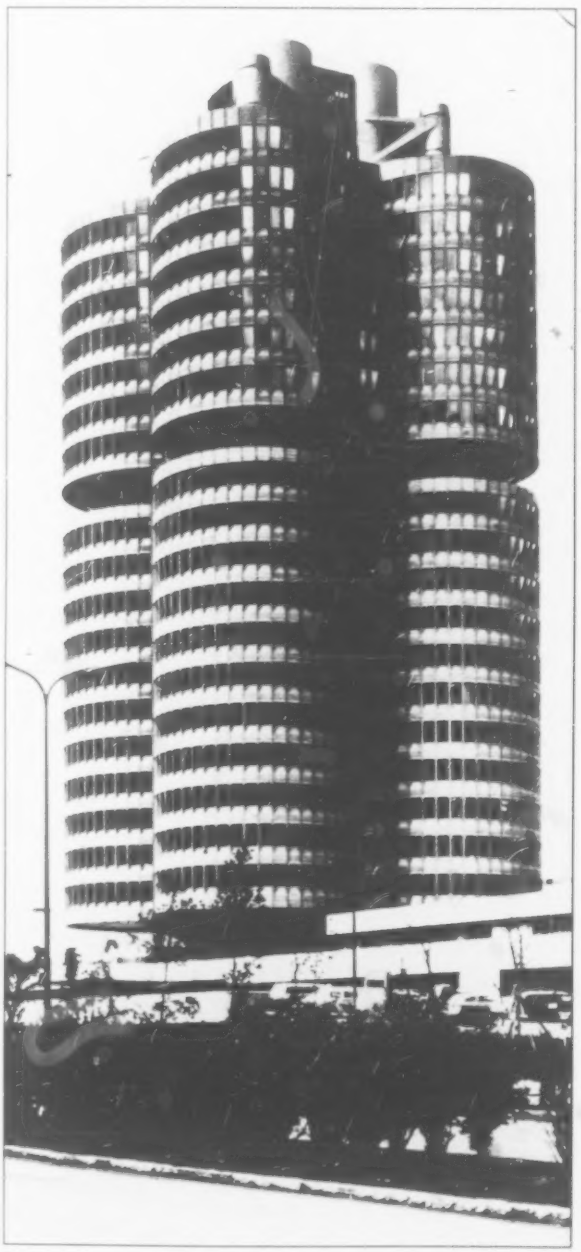
7. Innovation.

Many fault the Germans and find the bad seed in their failure in high technology markets, particularly information-technology markets. One estimate shows that the West German share of the world's high-tech markets plummeted from 26 to 17 percent between 1972 and 1983. (The number is somewhat misleading. The Germans and Americans were, de facto, the only high-tech players in 1972. Our numbers have skidded too, which is only partially a sign of weakness.) But the nay sayers have a good point. On the other hand, there is another side to the argument — which I find equally persuasive. The Germans, without much doubt, trail the world leaders (Japan and the United States) in most high-tech industries, especially all-important information technology. On the other hand, they are world leaders in applying high technology — including information technology.

High-technology strategy number one: Own the high-technology industries. High-technology strategy number two: Be the leader in applications. With important exceptions such as optics and, to some extent, bio-technology, Germany has followed the second path for any number of reasons — e.g., more very high-skilled workers; harmonious labor relations and less middle management layers to impede new technology adoption; a penchant for tinkering, abetted by the presence of technically-skilled top managers; an orientation toward customization. Consider those Mittelstand, once more. Most are not in high-technology industries — you'll find no full-blown Silicon Valley here. But ever so many are world leaders in using microelectronics: e.g., little Hugo Kunze, the kneader, again. The firm is a most sophisticated user of computer-aided manufacturing and a producer of very *smart* products.

To say that fiscal prudence . . . is the West German watchword is to understate dramatically.

As a Silicon Valley resident (with all the attendant biases), I'd much rather have Apple and Intel than not have Apple and Intel. But the German approach has merit. We and the Japanese lead the world in *owning* the technologically-based industries of the future. The Germans may well may be the leader in applying the fruits of those industries — which could be decisive in the long run. In any event, the West German disadvantage is not as



The Germans are world leaders in applying high technology. Above, BMW headquarters in Munich

pronounced as any number of doom sayers would have it.

Implications for U.S. managers: We are more teachers than students here. The U.S. in fact has a nice balance between technology leadership and applications leadership (we dominate the world in service-sector information technology applications, for instance). On the other hand, our marginal bias — see the section above on constant improvement — is against application, probably to our long-run discredit.

8. Fiscal conservatism.

The West Germans — bankers, politicians, union leaders, workers, the man or woman on the street — still are haunted by the memories of the hyperinflation of the '20s. (In 1923, the Weimar government was printing one-half billion mark notes. Wages were being adjusted twice per day: German workers would get their first daily payment in the late morning, and rush out to buy goods before the price shot up in the afternoon.) It destroyed fortunes and eventually unleashed Hitler. To say that fiscal prudence in government and corporate affairs is the West German watchword is to understate dramatically. Inflation is kept low, even at the expense of lingering, intolerably high unemployment. Bank involvement in corporations is high. Investment strategies in general, and the stock market in particular, are ultra stable.

. . . the stability of the West German economy is the anchor of Europe (and to some extent the world) . . .

Everything has its costs. A vociferous minority argues that the widespread absence of risk capital hurts West Germany badly. It makes sums for modernization unavailable to the Mittlestand and suppresses risky investments in high technology. Moreover, it produces a risk averse attitude in general at a time when the world economy is changing and risk-taking is a must. On the other hand, the stability of the West German economy is the anchor of Europe (and to some extent the world) and a boon to steady growth and the ability to take the long view, which may mark the German firms even more than their foresighted Japanese counterparts.

Implications for U.S. managers and policy makers: U.S. business looks to the short term, courtesy the pressure of youthful stock-market fund managers only interested in the next quarter's earnings. Moreover, we are poor savers, and seem not to have the will to control government spending. (The above is true, though overblown. For instance, our R&D spending is still very high — and stock prices, say studies, accurately reflect company R&D expenditure. Our deficit, though psychologically damaging, is not particularly large, as a share of GNP by world-standards.) On the other hand, the U.S. is the clear beneficiary of a rich infrastructure of capital markets, which supports everything from junk bonds (a net good, in my view, given the urgent need for rapid overall economic restructuring) to massive venture capital to a generally strong market for IPOs (initial public offerings). Our approach is not very pretty and it causes a lot of unnecessary pain — but it works by and large. Arguably, the West Germans need to loosen up a bit (or so); we need to tighten up a bit (or so).

Some Conclusions

Add up the above and you have a strong case for sustainability of West Germany's success, even without the single European market '92 advantage and the unique window on Eastern Europe. (Take but one tiny example of the latter: the number one West German market for its number one export, machine tools, is currently the Soviet Union.)

Are there no flaws? Of course, just as there are in Japan (and the U.S., which even the optimists now acknowledge): (1) The information-technology industry *ownership* deficit (as opposed to likely leadership in applications) may be a major shortcoming. After all, the information age is still in its infancy, and is the most vital force reshaping the world's economies in 200 years. (2) Many of the Mittelstand's leaders are third generation. They are too slow to adopt modern techniques and technologies. (3) Widespread entrepreneurship is thwarted by very conservative financial institutions. (4) Germany's biggest firms, like their U.S. and Japanese counterparts, are almost hopelessly sluggish compared to tomorrow's need for flexibility. (5) West Germany's stratospheric wages may hurt as others (Korea, Taiwan, Italy, etc.) quickly and successfully move to value-added production. (6) The Japanese have focused during the last 20 years on the U.S. market and are now shifting their aim to Europe. Though West Germany may well have the world's *most open markets*, the West Germans have not been the prime target of Japan's export efforts. Moreover, the Japanese still have new tricks up their sleeve: For example, their pell-mell race toward widespread leadership in advanced R&D foretells an even greater future push to high technology, high value-added. (7) The country's university system, say

The Germans are relentless creators of niche strategies, and hope that magnetic levitation transportation systems will be one of them.

most Germany watchers, is as bad (e.g., overly conservative) as the apprentice schooling system is good — not a good omen for a *brain-based economy*, as one of my closest Japanese friends describes the years ahead. (8) Germany's service sector lags. The *manufacturing matters* crowd applaud Germany's world-leading (among the fully developed nations) share of GNP from manufacturing — and they have a point. But a hundred years ago, when 65 percent of Americans were still on the farm, the *agriculture matters* adherents could hardly imagine a world (the U.S.) with 3 percent of us on the farm (today's fraction). Service sector leadership is essential — the *post-industrial* economy is as real as was the post-agricultural economy. Even a hardware type, Motorola Chairman Bob Galvin, agrees: "The nation that masters the management of information for the service industries — along with owning key parts of the service sector in the world's major developed markets — is destined for global economic leadership of historic proportions." (9) Will unique access to Eastern Europe really be a boon? Answer: It's too early to tell. Already, just a few weeks after freedom's bells peeled so loudly, the half-millennium old, suppressed for the last 40 years, tribal strife in Central Europe has reared its head. Sadly, the case for new instabilities is about as good as the case for the arrival of the promised land of peace and plenitude.

The West German economic giant is far from blemish-free. On the other hand, the nation's 40-year record is arguably at least the equal of Japan's. It deserves our attention. □

Palo Alto, January 9, 1990

Überblick

Deutschlands stilles Wirtschaftswunder

Jedermann weiß, daß die Bundesrepublik Deutschland und Japan Weltmeister im Export sind. Vergleicht man jedoch bestimmte Eckdaten dieser beiden Volkswirtschaften, stellt man Erstaunliches fest: Obwohl in der Bundesrepublik die durchschnittliche jährliche Arbeitszeit 12 Wochen (450 Stunden) unter der in Japan liegt, übersteigen die deutschen Pro-Kopf-Ausfuhren die japanischen um das Zweieinhalbfache. Die Bundesrepublik weist nicht nur einen deutlich höheren Handelsbilanzüberschuß auf, sondern besitzt auch eine breitere Exportbasis hinsichtlich ihrer Produktpalette und ihrer Abnehmerländer.

Der Autor, ein erfahrener Deutschlandkenner, sieht die Gründe hierfür in acht Punkten: das seit 150 Jahren bestehende deutsche Ausbildungssystem, der Arbeitsfrieden, die sprichwörtliche Qualität und Leistungsfähigkeit der deutschen Produktion, ein Gespür für Marktlücken, der die Wirtschaft tragende Mittelstand, die ausgeprägte Exportorientierung deutscher Unternehmer, Innovationsfreude bei der kommerziellen Anwendung von Hochtechnologie und schließlich die konservative Fiskalpolitik der Bundesregierung. Mit dem EG-Binnenmarkt 1992 und dem Übergang zur Marktwirtschaft in osteuropäischen Ländern wird die deutsche Wirtschaft voraussichtlich noch an Stärke gewinnen, auch wenn der Himmel nicht ganz wolkenlos ist. Will man wirtschaftliche Internationalisierung und Globalisierung lernen, sollte genauso zum deutschen Mittelstand geschaut werden wie zu japanischen Konglomeraten a la Hitachi oder Mitsubishi. □

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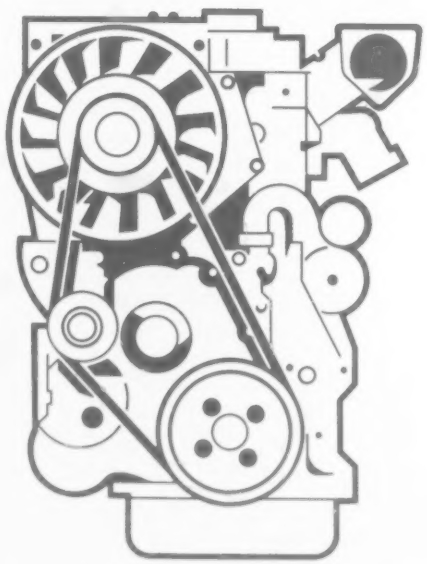

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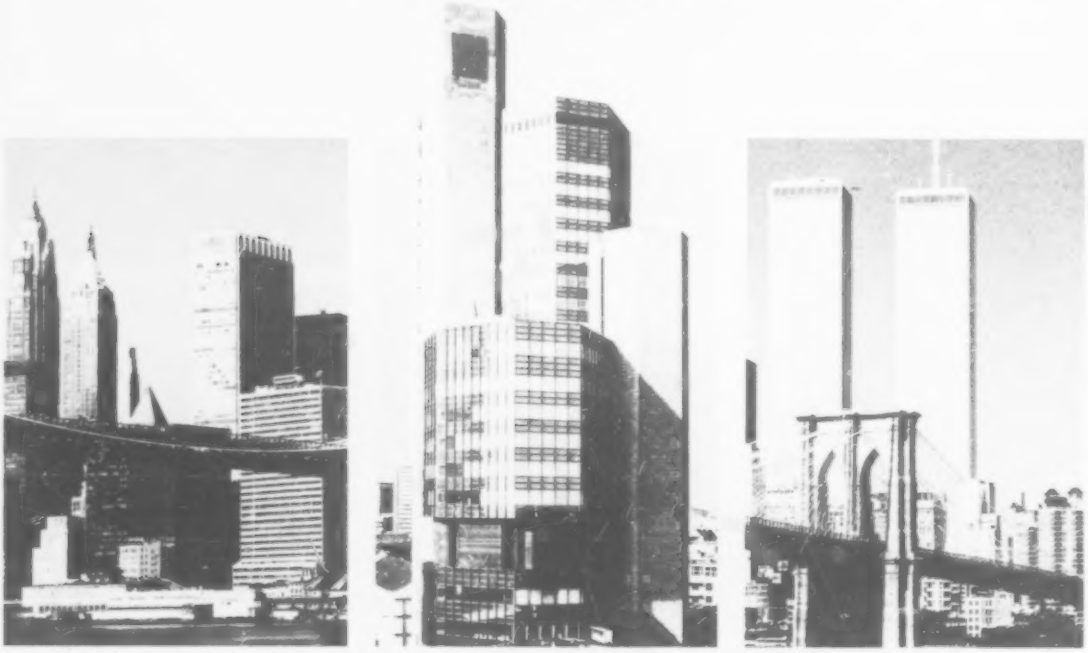

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Eine Umfrage: Deutsche Investitionen in den USA

The Right Start in the U.S.A.

Price Waterhouse
and
Commerzbank

There are approximately 2,300 subsidiaries of German conglomerates in the United States with assets totalling more than DM110 billion. In no other foreign country do Germans invest more.

The United States is a large country, with intricate markets and a unique business culture. Not all German investments in the United States are successful; some experience long periods without cash flow, others suffer substantial losses. In this regard, the amount of planning and study required before investing cannot be underestimated.

Price Waterhouse and Commerzbank have conducted a broad survey of more than 350 German subsidiaries to better understand the difficulties experienced by German investors and the reasons why certain subsidiaries fail. The firms who participated in this study demonstrated a sincere openness by responding to such a constructive and critical evaluation.

Suggestions for a Successful Start

A. Intensive market research—the basis for setting up operations.

Before taking the first step, ask the proper questions and find out the answers. For a long time now, the *Made in Germany* label by itself has not been sufficient to guarantee success in the U.S. Intensive market research, however, offers a solid foundation for developing promising business operations in the United States. For this reason, it is important to check

— How is the targeted market segment being served at the moment?

—Why should potential customers switch to a product that is new, unknown and, as yet, untested in the USA?

—For what reasons are the products which lead the market currently being purchased?

— In what geographical region are most of the customers concentrated ?

— What prejudices do potential customers have with regard to the German company?

— What advantages does the German product have over the competitive products?

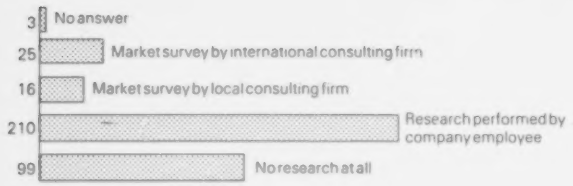
— How can the necessary degree of customer awareness be achieved ?

For a long time now, the "Made in Germany" label by itself has not been sufficient to guarantee success in the U.S.

— What will distribution cost? In view of the huge distances and, in part, more expensive means of transportation, these costs are very important.

— How can effective after-sales service be ensured?

What kind of research was done prior to choosing the current geographic locations ?



Our survey revealed that many German companies had their own staff carry out the market research. This consisted of attending various trade fairs and visiting potential customers. Often it was found that:

1) No comparable products exist. For instance, the same operation which can be performed in seconds by a German machine might be handled by three separate machines in the USA.

All too often, it was simply concluded that the German product was thus without competition. Yet even if there is *no competition*, the customer has to be convinced that it is a worthwhile idea to switch to the new and unusual method. Such a switch implies retraining personnel and replacing old equipment or products. This represents an upheaval for the customer and entails many elements of uncertainty. Frequently, the customer needs to be assured that replacement machinery is available and minimum production runs will be guaranteed.

2) Many potential customers claim they will place orders immediately once the German firm is established with a subsidiary and a warehouse in the USA. Be careful here—in keeping with the American mentality, such verbal promises tend to be made quite freely and should not form the basis for a realistic appraisal of the market.

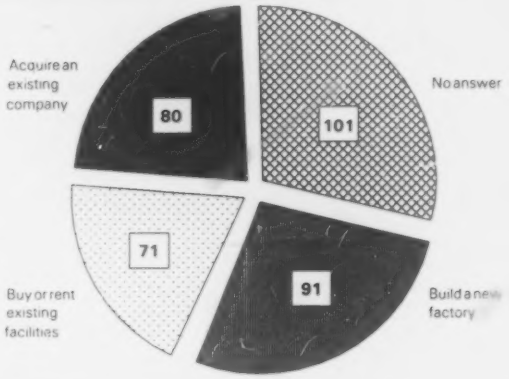
B. Realistic, long-term planning

If your market research has revealed that you have a chance of success in the U.S. market, this marks the beginning of a phase of long-term planning. You should bear in mind when planning that there is no need to start from scratch again. The possibility of taking over an existing firm may be well worth considering.

Many German entrepreneurs have found that the management of a new U.S. subsidiary had to be changed up to three times during the first few years.

As can be noted from the chart below, 80 out of 350 participating companies are planning to acquire an existing American company.

If you are planning to manufacture in the United States in the future,will you:



Remember that when a new company is being set up its operations should not be expected to generate a profit during the first 3-5 years. The new management has to become familiar with either the U.S. market, the product or the parent company. Many German entrepreneurs have found that the management of a new U.S. subsidiary had to be changed up to three times during the first few years. The costs arising during the start-up phase should be weighed against the cost of buying an existing business. Even if, from the German standpoint, the company in question is outmoded and badly organized, a takeover allows immediate access to the market with the option to build upon the existing personnel, after-sales service and distribution systems.

In any event, the expected costs, such as after-sales service, warehousing, advertising, write-off on receivables (usually higher than in West Germany), legal expenses, and also the annual auditing and tax advice costs must all be included in your calculations.

Invite your American employees over for regular visits to the parent company.

The planning of your budget should be undertaken with the assistance of local auditors. Their wealth of experience is invaluable in considering whether all the important items have been taken into account.

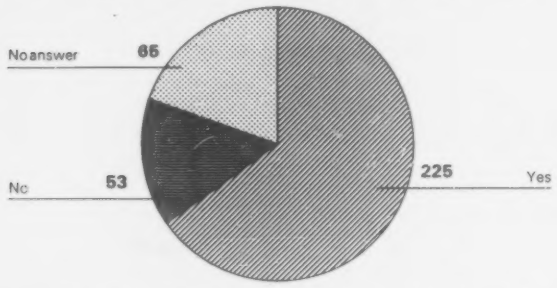
In addition, for takeovers and start-ups alike, it is essential that executives and specialists have close contact with you and your staff in West Germany. Invite your American employees over for regular visits to the parent company. Only in this way is it possible to guarantee the transfer of know-how. Of course, the question of cost arises here, but the issue is one which should definitely be taken into consideration in your company's long-term planning.

You should also remember that your employees in West Germany are much more motivated and more inclined to support your U.S. subsidiary if you inform them about the duties and the goals of the new member of your group.

Frequently, the German parent company believes that

its top executives are most urgently needed at home. Sometimes, therefore, not enough thought is given to selecting the right people, and the staff who are sent

Could you be more successful if you received more support from parent company employees ?



to work in the USA are those who will not be missed back at head office. The development of a U.S. subsidiary, however, is not the proper occasion for *kicking someone upstairs*. The American market is too complex for that and is too important for the future of the company as a whole.

Once you have decided to set up a firm in the United States, you should critically examine whether you are able to provide a U.S. subsidiary with the financial support it will need, especially over the first 3 to 5 years.

Given the scope of the American market, the motto is: concentration rather than a bit here and a bit there.

Another aspect which should be incorporated into your long-term planning is the fact that you need not produce for the U.S. market alone. The USA is the gateway to an entire continent—and even beyond.

C. Clear cut marketing strategy

A marked trend emerged from our survey. West German companies which have been operating for many years in the USA have increasingly tended to stress their American character in recent years. They find it important only in the case of a few products to underline their German origins.

In order to work out a clear cut marketing strategy, it is essential to have conducted a thorough survey of the market. First and foremost, the strategy has to be in line with the financial resources of the parent company. If these are limited, it is advisable to select a smaller test market for the first phase, which can then be subjected to intensive study. Given the scope of the American market, the motto is: concentration rather than a bit here and a bit there.

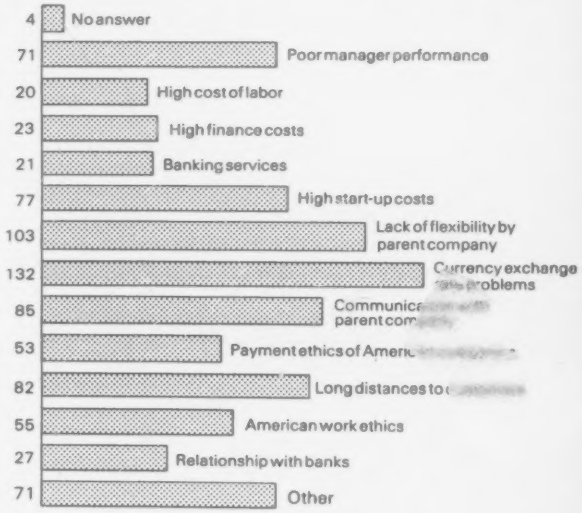
For many groups of products, various categories of customers exist. Manufacturers of high-quality clothing, for instance, have to decide whether they wish to sell to department stores, or specialty stores, or both. If you opt for department stores, as a newcomer to the market you will almost certainly be obliged to make substantial concessions as regards prices and terms, while in the case of specialty stores the credit risk is greater. In addition, you should consider whether you want to cooperate directly with independent sales representatives or whether, in order to have direct contact with your customers, you prefer initially to operate with representatives of your own in one or several regional markets. Only after you have selected one of these alternatives will it be possible to start calculating prices.

From the outset, a clear pricing policy is required. The price must be determined not only by purely commercial considerations but also by the competition that exists. Make sure that you carefully investigate what particular discounts and special agreements are usual in the sector in question. In the fashion and brand article sector, for example, it is usual to do co-op advertising with the customers. Do not overlook this cost item when calculating your prices.

Be sure to include exchange-rate fluctuations in your calculation. Experience has shown that they can become a problem. One way of covering yourself is to hedge against such risks with the help of your bank.

As you can see on the following chart, the exchange rate problem was the most frequently cited problem by German companies entering the U.S. market.

Which difficulties did you encounter in entering the U.S. market ?



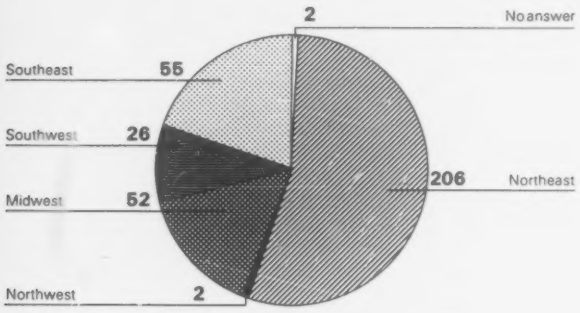
D. Personnel and choice of location

Personnel and business location are two critical factors to consider when setting up shop in the USA. Crucial to the choice of a location is first and foremost quick access to customers and suppliers. In most cases, your competitors will also be present wherever there is a concentration of potential customers. In those places where your competitors are situated, there will most likely be well-quali-

fied personnel, and good communication and transportation facilities.

As you can see, more than 50% of the participating companies established their headquarters in the Northeast.

In which geographical region is your main office located in the U.S. ?



In our experience, the best sales performance has been achieved by West German firms that have been able to secure for themselves American general managers with marketing orientation, if possible obtained from the competition. In order to recruit a top executive for a new enterprise, it is frequently necessary to demonstrate quite convincingly that there is a place for the German product in the U.S. market and that you are planning for the long term.

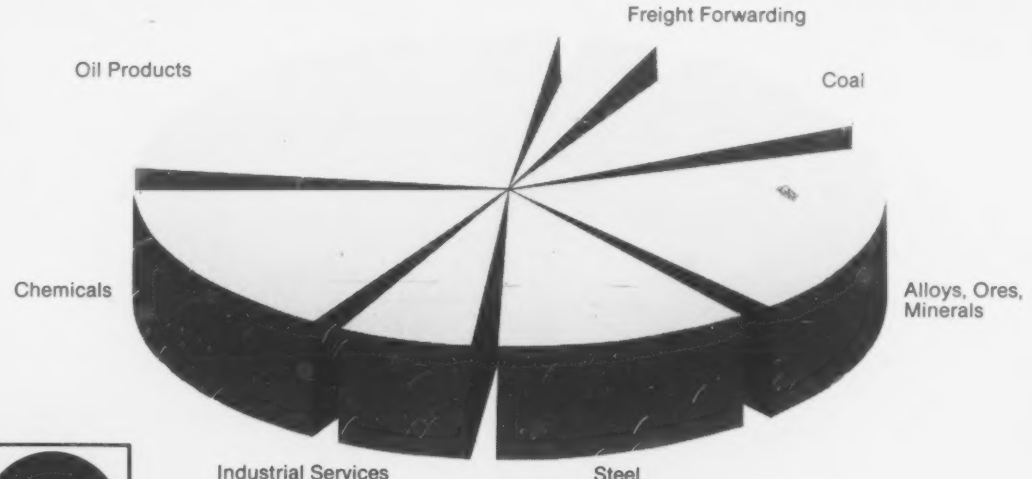
Bear in mind that the management you create is of key significance to the success of your U.S. investment. American managers are used to management by objectives. You should take this into account when running a company from such a distance.

If you are looking for more than just second-rate managers, you should not allow the German conception of incentives to influence your specification of management incentives. Instead, you have to offer the multilevel systems (short-term elements, long-term elements and diverse benefits) that are normal in America, linked to career plans.

When recruiting staff, it is important to realize that, through their training at school and on the job, U.S. managers are steeped in a tradition of securing short-term results. If they are not successful, they are very quickly replaced. The European attitude has occasionally been

. . . it is important to realize . . . U.S. managers are steeped in a tradition of securing short-term results.

TRADING DISTRIBUTION AND SERVICES



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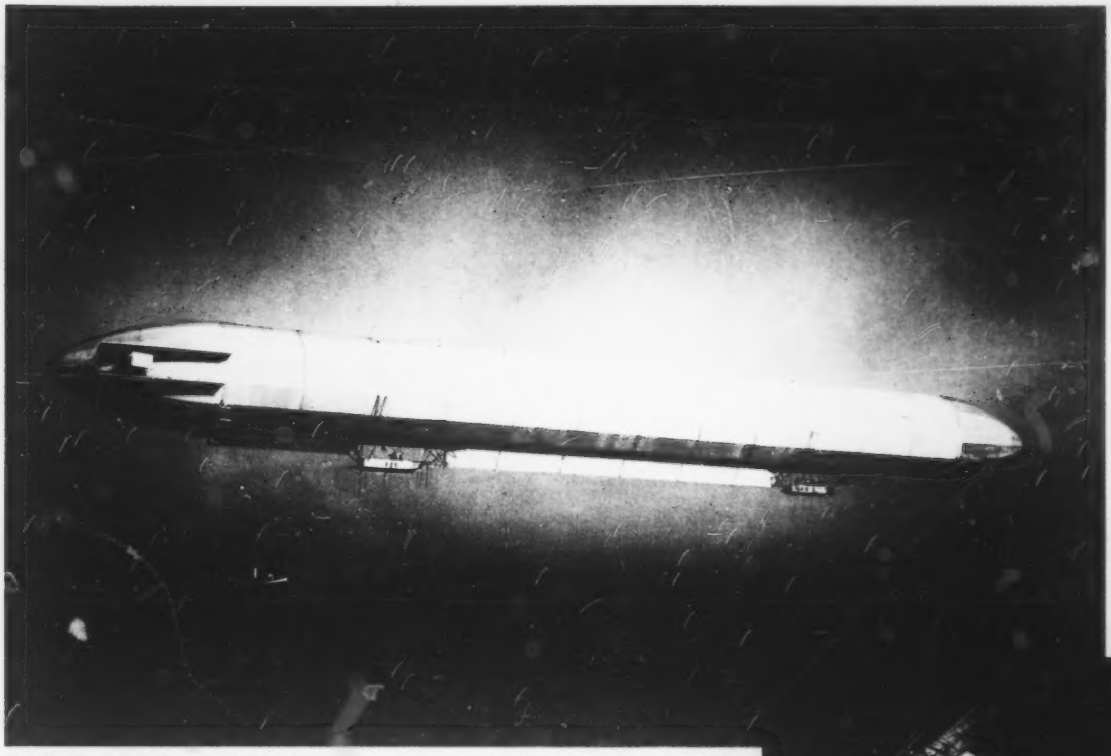

The first Zeppelin flies over Lake Constance, Baden-Wuerttemberg, on 2 July 1900.

Remote Sensing Satellite ERS-1, built in Baden-Wuerttemberg, 1989–90.

Germany's Southwestern state, Baden-Wuerttemberg, is the birthplace of many inventions that shape the way we live today. A high point of achievement was the flight of the first Zeppelins – giant airships that ruled the skies until superseded by heavier-than-air machines. The first all-metal aircraft was built here by one of Graf Zeppelin's engineers, Dornier, whose company is still a leader in the world aerospace industry. The DO 228, one of the world's most successful regional airliners, and the Remote Sensing Satellite ERS-1 were both developed and built here in Baden-Wuerttemberg.

When the first Zeppelin flew, two of our engineers, Gottlieb Daimler and Carl Benz, were already established as builders of the world's first motor cars. The Mercedes-Benz plant in the state capital, Stuttgart, continues their tradition of excellence.

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called a wait-and-see approach. In cases where managers unfamiliar with either the European or the American cultural background are appointed, American management principles should be applied in firms operating in the USA. This implies that both sides accept the targets set, that a great deal of autonomy is granted, and that a speedy reaction is forthcoming if the targets are not achieved. The profit-oriented conception of incentives which accompanies this approach is the driving force behind the system.

. . . very seldom is an importer able or willing to develop a market for a new product.

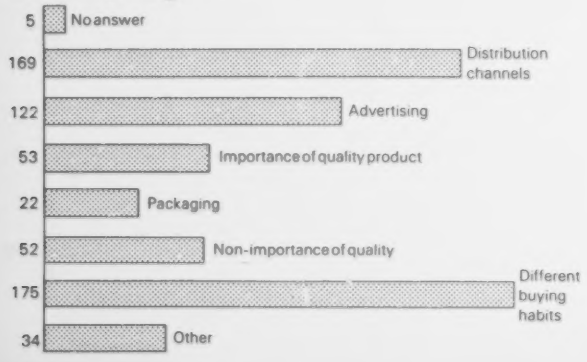
Most companies setting up a U.S. subsidiary have found that by sending over a managing director from within the parent company, they ensure that a relationship of mutual trust develops and the company philosophy is preserved. However, it usually takes two to three years before a managing director sent over from West Germany becomes familiar with the market and is accepted by customers. By buying a successful top manager, you have the opportunity to obtain direct access to customers. In order to capitalize on the investment, however, the parent company has to be flexible and react to the suggestions made by a manager who has a thorough knowledge of the market.

E. Distribution channels

Although there may be differences from product to product, it is usually possible to fall back upon a number of distribution channels. For many products there are independent sales representatives and sales representative organizations. Often, the question of whether to work with independent sales representatives or to build up a network of representatives operating exclusively for the company itself is decided by the substantial cost of the latter approach.

The fact that more than half of the participating companies found the distribution channels and buying habits different in the United States illustrates that this area should be considered thoroughly before getting started.

What was different in U.S. marketing versus German marketing?



Many West German companies have gained their first USA-experience through an importer. In many cases what originally appeared to be a promising relationship was terminated after a long, drawn-out legal dispute. At first glance, there seem to be few risks attached to working with an importer; moreover, the costs look reasonable. However, you should bear in mind that very seldom is an importer able or willing to develop a market for a new product. Above all, you should avoid entering into an exclusive agreement, otherwise you may find yourself liable for compensation if you wish to terminate the relationship.

The well-known advantage with independent representatives is that they only receive a commission on actual sales, and no long-term commitment or investment is necessary. But such agents will pursue merely short-term goals as they are primarily keen on earning their commission. The only way to select customers carefully and to implement a marketing strategy is to employ representatives of your own.

The only way to select customers carefully and to implement a marketing strategy is to employ representatives of your own.

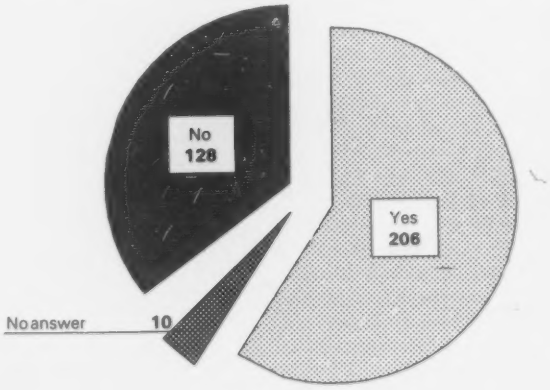
F. Product adjustment

Consumer goods

Rethink your strategy when selecting products for the American market. Do not base your planning on the high demands of your German or European customers as to quality and design.

Far more than half of the participating companies stated that modifications to their products would improve their sales.

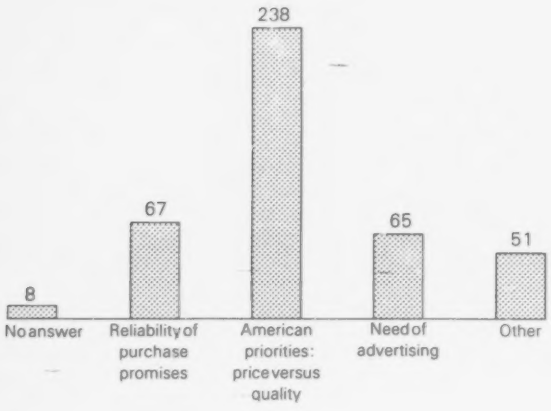
Would modifications to your product improve your sales in the U.S.?



The average American consumer is impressed by attractive packaging, ease of operation, functionality and reasonable price. If you launch a product on the U.S. market

which is not so elegant and durable, but reasonably priced, functional and well-packaged, you have a far better chance of securing a good share of the market than you could by offering outstanding design, durability and high price.

What did you find most difficult in adapting to American marketing?

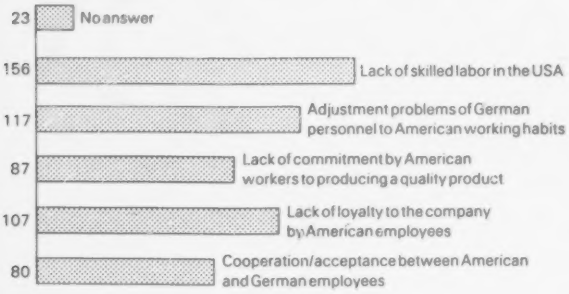


Capital goods

Given the differing systems of training throughout the USA, there is, for example, no uniform training for the various crafts. A progression from apprentice to journeyman to foreman's qualification is unknown there; the American alternative is learning by doing.

Do not assume that the employees of your American company know how to operate your sophisticated equipment. On top of this, staff turnover is high in U.S. firms, which makes it impossible to guarantee that employees who have become familiar with the plant will remain. As a result, U.S. entrepreneurs are forced to use machinery that is easy to operate—even if productivity suffers as a result. Nearly half of the participating companies noted the lack of skilled labor at U.S. plants.

Which personnel problems did you encounter ?

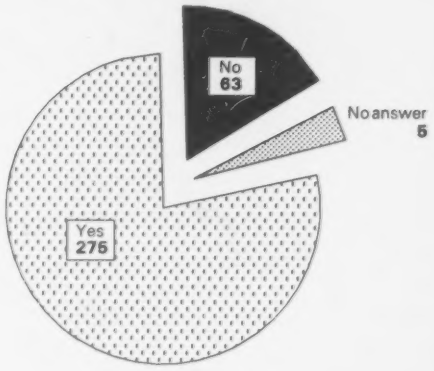

23
No answer
156
Lack of skilled labor in the USA
117
Adjustment problems of German personnel to American working habits
87
Lack of commitment by American workers to producing a quality product
107
Lack of loyalty to the company by American employees
80
Cooperation/acceptance between American and German employees

German manufacturers who take this fact into consideration when planning their product design for the USA generally have a greater chance of success.

G. Advertising

Advertising is far more important and much more expensive in the United States than in West Germany. As all competitive products are presented by different types of advertising (television, trade magazines, direct mail), it is essential to advertise sufficiently for a product that is new to the market. Although many West German companies are initially opposed to this American habit, they soon recognize the need to adapt and face the challenges that are part of the American scene. This can clearly be seen on the following chart.

Do you feel that advertising is more important in the United States than in Germany ?



At all events, advertising In the USA should be tackled with the help of professionals. If your advertising is not entirely attuned to the U.S. market, you indicate to potential customers that you are not taking them seriously.

H. Controlling

If you already take controlling seriously at home, it is all the more important in the case of your U.S. subsidiary. Not only the distance and the time lag but, above all, the different nature of your U.S. business is significant and should not be underestimated. Consequently regular monitoring is extremely important.

It is also advisable to introduce regular (e.g. monthly) reporting, as the new local management is frequently more sales-oriented than its German counterpart. Often, therefore, the businessman in the manager takes a back seat. It is important to have local managers examine the figures every month so that they will see how their actions are being reflected in the results; it allows the parent company to notice deviations from the plan immediately and, if necessary, to require an explanation.

The auditor and tax adviser should be engaged by the parent company. When choosing an auditing company for

the United States make sure that German auditors are part of the engagement team. This ensures that the annual report prepared in the USA (HB 11 report) complies with the new West German accounting guidelines and can be incorporated without difficulty into the German company's consolidated report.

Tight controlling is important for the prevention or, at least, the early detection of any misappropriation of funds. At the same time, it makes it possible to monitor communication between the parent company and the management of the U.S. subsidiary. Very often, the management in West Germany takes certain points for granted which the management in the USA has understood quite differently. Regular reporting can quickly reveal problems of miscommunication.

Make reporting as uniform as possible for all your subsidiaries abroad. This will enable you to analyze the results and examine problem areas more efficiently.

Regular visits to the U.S. subsidiary by your finance staff help the parent company to better understand the problems of the subsidiary. During these visits the needs for reporting to the parent company can be better explained.

A frequently practiced solution is to send the treasurer of the company over from West Germany. In this way, it is secured that reporting is up to-the-minute and reliable. At the same time, the interest of the parent company is looked after. □

Überblick

Eine Umfrage: Deutsche Investitionen in den USA

In den Vereinigten Staaten gibt es ca. 2.300 Tochtergesellschaften deutscher Konzerne mit einem Anlagevermögen von insgesamt mehr als DM 110 Milliarden. In keinem anderem Land investieren Deutsche mehr.

Die USA sind ein großes Land mit schwierigen Märkten und einer ganz eigenen Geschäftskultur. Nicht alle deutschen Investitionen in den USA sind von Erfolg gekrönt. Einige Investoren haben mit langen Durststrecken ohne 'Cash Flow' zu kämpfen, andere verzeichnen erhebliche Verluste. Aus diesem Grund kann der Aufwand für Planung und Erkundung vor dem Investieren nicht groß genug sein.

Price Waterhouse und die Commerzbank haben eine breitangelegte Umfrage bei mehr als 350 deutschen Tochtergesellschaften durchgeführt, um einen besseren Einblick in die Schwierigkeiten deutscher Investoren zu bekommen und um herauszufinden, warum einige der Tochterfirmen nicht überleben. Die Unternehmen, die sich an dieser Umfrage beteiligt haben, bewiesen durch ihre Bereitschaft, auf solch kritische Fragestellungen einzugehen, große Offenheit.

Das Ergebnis der Umfrage wird den Initiatoren ermöglichen, ihr Dienstleistungsangebot für bereits in den USA ansässige Tochtergesellschaften deutscher Firmen noch weiter zu verbessern. Darüber hinaus wird anderen Unternehmen, die Investitionen in den USA planen, die Möglichkeit gegeben, von den Erfahrungen ihrer Vorgänger zu profitieren. □

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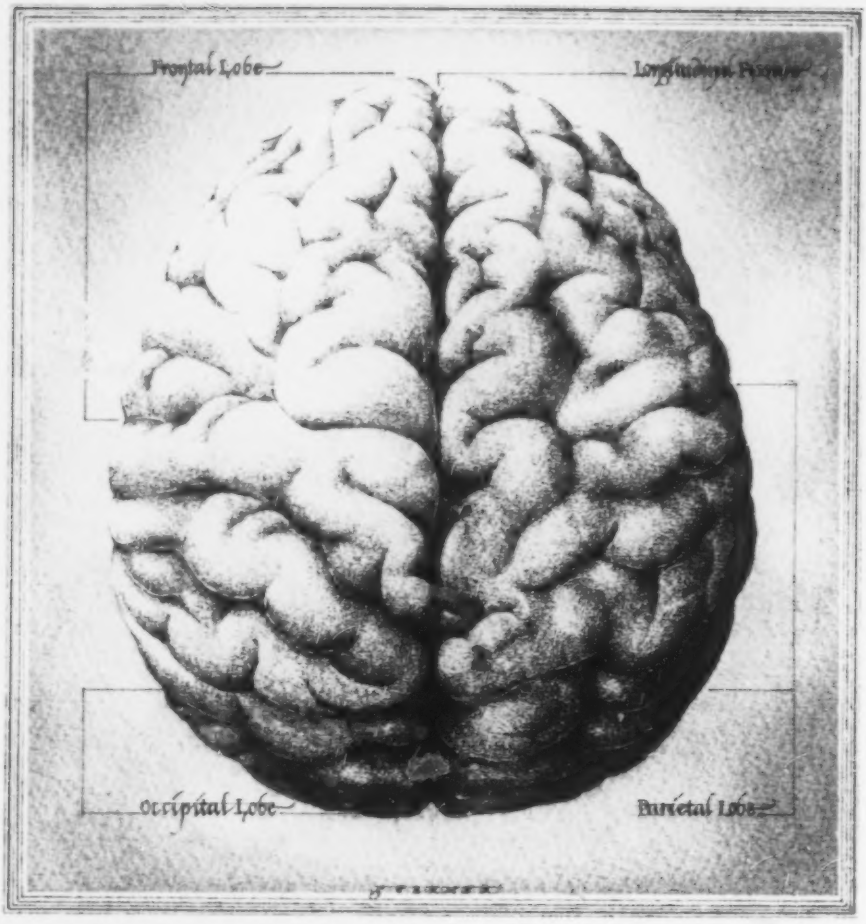

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Versicherungen in Deutschland: Entwicklungen im Hinblick auf die Freizügigkeit des europäischen Dienstleistungsmarktes

Insurance Broking in Germany: Expected Developments within the Framework of the European Freedom of Services

Abraham Z. Simhony
Managing Director
Gradmann - Holler GmbH
Frankfurt

Germany, a country that is an integral part of the European Community, is on the threshold of an open and free insurance industry market with a growth potential second to none.

The profession of broking in Germany has not been held in such high esteem as in some other industrialized Western countries, and it has a market share far lower than the United Kingdom, the Netherlands and also the United States. As far as our industry is concerned, the freedom of services within the European Community came into effect in its first stage July 1,1990, over two years before other segments of our joint economy will be affected. So, the future is really now.

Present German Market

What does the German market look like presently? For many years we have had a highly regulated and protected market resembling more of a planned economy than a free economic market, which has been a decisive factor in the unparalleled success of the German economy for the last 40 years. Obviously, the harmonization of insurance laws and regulations is not a process that could have been completed overnight or even over a period of 10 to 15 years. The resulting situation in Germany was not unpleasing to insurers, who spoke in favor of protecting the

Germany . . . is on the threshold of an open and free insurance industry market.

insuring public while actually enjoying the protection of their own interests. The main feature of the situation has been that all insurance conditions had to be approved by the Controlling Authority over a long process in which the various insurer associations were involved, making certain that indigenous insurers were protected from foreign competition. The combination of legal requirements and protection laws on one hand, and the self-imposed constraints of the insurers on the other, created the situation that has been in existence for a considerable time and which is highlighted by such practices as the following:

- Only licensed insurers can transact business in Germany, subject to stringent regulations and examination by the Controlling Authority.
- It is strictly illegal to place insurance of German risks with non-licensed insurers out of Germany, and one can place business out of Germany only by way of so-called "Correspondence" that forces the carrier to play a passive, absentee role, which makes it completely unpractical for industrial and commercial risks.

In summary, one can most certainly state that the German insurance industry still operates in a rather

inflexible framework within which the price of the insurance product, i.e., the premium, is practically the only criterion for competition, and where the quality and innovation of the insurance product play a very minor role.

The German Broker Today

Where does the German broker stand in today's situation? Although no exact figures are available, it is estimated that the share of the market controlled by the independent brokers amounts to approximately 10 to 15 percent if one refers to the insurance market as a whole, and referring to industrial business only, the share increases to approximately 25 percent. Some 55 to 60 percent of that is conducted directly, and 20 percent is connected to the so-called "in-house captive brokers." The situation is almost unique to Germany, inasmuch as one can rarely find another market where most of the bigger industrial and commercial enterprises have their own in-house broker, who at the same time acts as their risk manager. This way of business has, of course, been highly encouraged by insurers, who, in addition to paying in-house brokers higher commission rates, also carry out, for in-house brokers, such tasks and duties that would normally be done by independent brokers. The situation also encouraged the client, the insured, to believe that the seemingly small disadvantages of not using an independent broker were compensated by his reduced net insurance costs.

. . . one can rarely find another market where most of the bigger industrial and commercial enterprises have their own in-house broker . . .

When referring to the independent professional brokers, one must realize that in Germany, as opposed to some other countries, there are no set legal qualifications and requirements regulating their activities. Many of the so-called brokers are no more than glorified agents and in effect render very little professional service and advice. There are only a few brokers in Germany who by international standards can qualify as professional insurance brokers.

EC Causes Changes

How is the German insurance market going to change? The realization that a free European insurance market is about to become a reality has caused a complete change of heart and mind, and the market is now actively preparing to face the challenges posed by these changes.

How will these changes alter the current framework? To start, a considerable number of barriers that exist for foreign insurers will disappear, indirectly affecting German indigenous insurers. The most important developments will be:

- The licensing and freedom for foreign Community insurers to operate in Germany will become considerably less complicated.
- Brokers will be able to place German risks on foreign EC markets with insurers not licensed in Germany. This is an extremely important development that will depend on the attitude and behavior of the foreign markets, particularly the London market. How and to what extent this change will affect the German market will be of particular interest.
- Premium tariff and the so-called "recommendations" by market agreements will no longer be possible. However, we know that there are a number of other ways of keeping cartels alive. Under the present soft market, particularly in industrial property business, it is difficult

Freedom of insurance services within the EC came into effect on July 1, 1990.

Berlaymont House, the seat of the EC in Brussels.

to see how cartel-like situations can exist, and the common belief is that the free market principle of supply and demand will dominate.

- It is expected that new non-German EC insurers will enter the German market. However, entering the German insurance market is not an operation that can be achieved in the short or medium term. Another strategy for securing a position on the German market is the joining of forces, by way of a merger, with German indigenous insurers. The French have been the pioneers by acquiring the majority shareholding in one of the leading German insurance companies.
- Most importantly, perhaps, insurance conditions will no longer have to be approved by the Controlling Authority.

The new freedom and flexibility will lead to internationalization of insurance products and innovation of flexible policy conditions. Tailor-made risk financing models will appear on the market.

New insurance products will be offered to the industrial insurance public. In fact, certain risks that are presently unplaceable on the German market, apparently as a result of reinsurers not being prepared to afford capacity for such risks, are being placed on foreign markets.

Price will no longer be the only criterion for competition. Quality, kind and flexibility of product will be too, along with well tailored risk financing and risk transfer forms. What affect will this new situation have on German insurers? The close relationship between the big industrial German insurers and their clients, German industry, has been built over years of hard work, and the German insurers have been solid and loyal during market crises. The best example of this was the liability crisis in the United States a few years ago, when the big German industrial insurers heavily supported the vital interests of the German exporting industry, inasmuch as considerable liability capacities were offered to them, where no such capacities were available elsewhere.

In view of this loyalty and the traditional reference of the German insurance buyer, the German insurers will develop the flexibility and adaptability to successfully

New insurance products will be offered to the industrial insurance public.

compete with their non-German competitors, and most of them will retain their market shares, possibly with few scars.

Naturally, the industrial insurance business will become more complex, and the whole nature of the harmonized European market will make this business more international. It is unavoidable that a number of smaller and not so potent insurers will withdraw from the industrial insurance market or disappear completely.

Non-German EC Insurers Will Have Very High Obstacles

The other Community countries will have to begin issuing policies in the German language, subject to

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German jurisdiction, and to accept the flexible and fast claims settlement practice exercised by many German insurers. Also, it's doubtful that a very soft market in the industrial property area will attract serious non-German insurers. The German extended product liability cover is far wider than the cover afforded in many other EC

. . . one policy issued in the home country should encompass all the risks in other Community countries.

countries and includes elements other markets consider non-insurable. However, each market has its own peculiarities and the German insurers that wish to be active in other EC countries will be in the same position.

What does all this mean to German brokers? Provided that brokers in Germany are well prepared to meet the challenges of the new situation, it's likely that their role will become more important in the market, and one might predict that their market share will double within the next five to ten years.

How Will Harmonization of the European Insurance Market Be Achieved?

Certainly, the answer must be that one policy issued in the home country should encompass all the risks in other Community countries. This model can operate only if, in spite of the fact that the policy is issued in the home country, local service and acceptance and consideration of such local factors as legal structures, claims settlement procedures and the like can be provided in an efficient manner. The quality of the local service must be absolutely equal to the quality given to the parent company in the home country, and if this is not the case, no European

model can successfully operate.

What is the best way of achieving this quality? The most practical and effective way is to join a Pan-European international family of professional brokers.

Non-German Brokers in Germany

It is probable that the slight discomfort of the German insuring public in having their risks placed with a non-indigenous insurer would be more emphasized if, in addition, their business were serviced by a non-German broker domiciled outside of Germany. Their lack of experience and knowledge of the German market, its legal system and other similar factors that have led in the past to difficulties in the interpretation of German policy wordings and insurance terms, make it difficult for German industrial business to be serviced by brokers outside of Germany.

However, the role of wholesale brokers, particularly London wholesalers, in the future developments in Germany, as well as in other Community countries, should in no way be minimized. Their role will gain even more importance within the harmonized European market; the development of Lloyd's on the German market, where it has established a general representative office, is only one indication of this. In order to do justice to the important London market, wholesale brokers will have to remain wholesalers and work closely with the professional German retail brokers or alternatively set up their own retail organizations in Germany.

A word about the German market with regard to in-house brokers. They also will have to depend on the active counsel and assistance of the big international professional brokers in Germany. Although some of the smaller captive brokers are likely to vanish, the better of the in-house

. . . the role of wholesale brokers, particularly London wholesalers, should in no way be minimized.

brokers will realize that they can successfully operate in a changing market by cooperating with and using the services of professional independent brokers.

To conclude, let's consider some figures. Of the five largest insurance markets in the world, three are European, namely Germany, the United Kingdom and France (see Chart 1). Then consider that the total population of the European market is over 320 million, compared to about 260 million in the United States. It is also noteworthy to consider the market shares of international insurers in Germany today (see Chart 2) as Germany prepares for the free insurance industry market of tomorrow.

There is enormous potential and challenge in Germany and the European market where boundaries are about to disappear. To be successful, a new way of thinking has to be adopted, one that is less national and more European. To some, the process of adapting may not be easy. However, to those prepared and willing to provide a true professional service to the insuring public, the challenges and opportunities, along with rewards, lie ahead. □

Chart 1
Five Largest Insurance Markets in the World

(1986 Gross Premiums in $ billions)

	Life	Non-Life	Total	World Share
USA	150	221	371	43.2 %
Japan	119	51	170	19.8 %
Germany	25	34	60	7.0 %
UK	27	19	46	5.4 %
France	14	22	36	4.2 %
Rest of World	76	100	175	20.4 %
Total	411	447	858	100.0 %

Source: Sigma

Chart 2
International Insurers in Germany

	Branches	Subsidiaries	Total
Swiss	2.65 %	6.29 %	8.94 %
British	0.09 %	1.72 %	1.81 %
Italian	0.04 %	0.94 %	0.98 %
Austrian	0.61 %	0.01 %	0.62 %
US.	0.18 %	0.30 %	0.48 %
French	0.00 %	0.22 %	0.22 %
Swedish	0.05 %	0.00 %	0.05 %
Dutch	0.03 %	0.00 %	0.03 %
Other	0.05 %	0.00 %	0.05 %
Total	3.70 %	9.48 %	13.18 %

Source: BAV

Überblick

Versicherungen in Deutschland: Entwicklungen im Hinblick auf die Freizügigkeit des europäischen Dienstleistungsmarktes

Deutschland als integraler Bestandteil der EG befindet sich an der Schwelle zu einem offenen und freien Markt für Versicherungen mit einem Wachstumspotential wie nie zuvor.

Der Beruf des Versicherungsmaklers hat in Deutschland nicht das hohe Ansehen wie in anderen westlichen Industrieländern; im Vergleich zu Großbritannien, den Niederlanden oder den USA ist er stark unterrepräsentiert. Die erste Stufe der Freizügigkeit des Dienstleistungsmarktes innerhalb der EG wurde am 1. Juli 1990 wirksam, also über zwei Jahre vor anderen Wirtschaftsbereichen. Die Zukunft für diese Branche hat deshalb bereits in diesen Tagen begonnen. □

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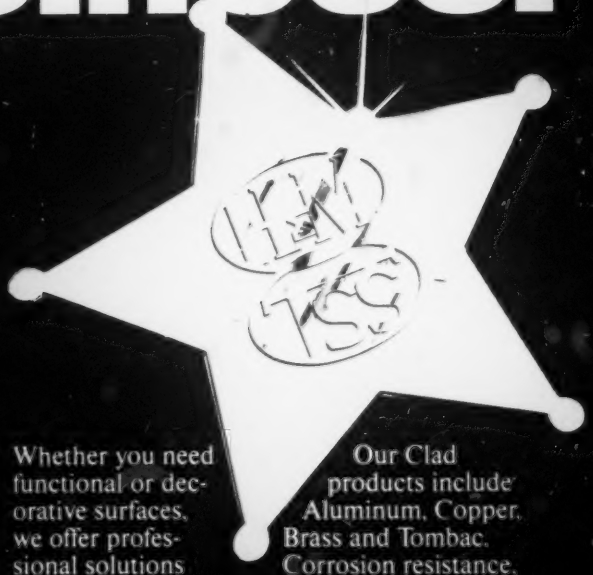

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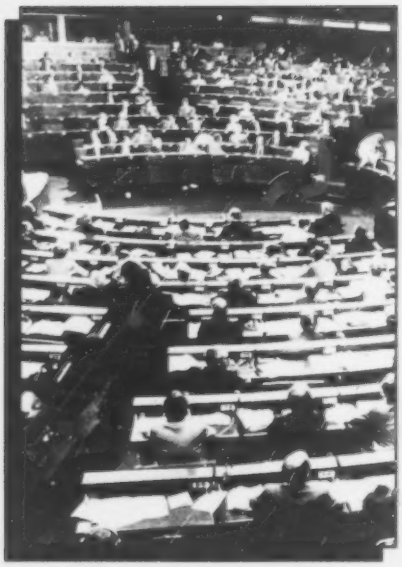
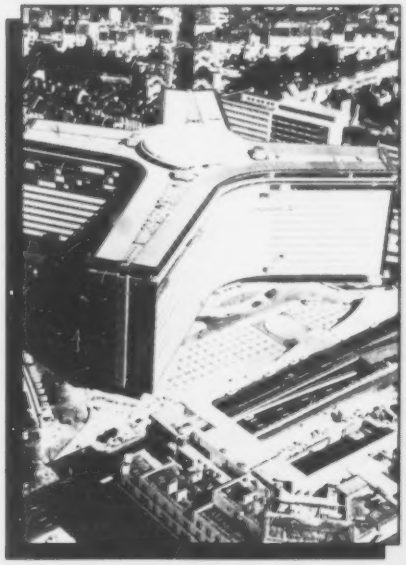


THE SINGLE EUROPEAN MARKET



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Neue Medienkonzepte in einem neuen Europa

Media Trends in a New Europe

Jens J. Meyer
Burda Publishing
Hamburg

When we talk about *1992*, we are generally referring to a very specific date: December 31, 1992, the day that will witness the realization of the single European market. This is a goal that the people of Europe have pursued and looked forward to for 40 years.

A Europe without borders will allow us to assume a new dimension. We will be able to buy insurance from Lloyds in London or from Assicurazioni Generali in Milan. We will be able to practice law or dentistry in Amsterdam or Copenhagen, and can send our children to study in Brussels or to the Sorbonne in Paris. From Hamburg, I'll even be able to order a video camera by mail order from Barcelona.

With a population of 340 million, the 12 member states of the European Community will have almost as many inhabitants as the United States and Japan together. And the single European market will produce a gross national product as large as that of the United States.

But this Europe without borders will not only be a gigantic economic block and an attractive advertising market, it will also be a cradle of ideas and important information. As its peoples and countries grow closer together, the need for communication and information will continue to expand. This will also be important so that its national cultures remain vital and self-reliant.

Playing to Strengths

European publishers and other media enterprises have accepted the European challenge for some time now. They have much to offer each other in experience and business creativity. Luxembourg knows a lot about radio, and the Italians are the most advanced in exploiting the possibilities of commercial television. The British have an exemplary tradition in newspapers, and the Germans have considerable know-how in the field of books and periodicals. The media powers of Europe also complement each other in their professional capabilities. For example, the

. . . this Europe without borders . . . will also be a cradle of ideas and important information.

French understand fashion and esthetics, the Italians art and life style, and the Germans cars and entertainment.

Germany's magazine publishers have successfully demonstrated their capabilities throughout Europe. In contrast to their Anglo-Saxon colleagues, who can offer a comparable product in Great Britain, Australia, and New Zealand, as well as in Canada and the United States, German publishers must overcome the language barrier . Therefore, their expansion abroad means, above all, label transfer.

An excellent example is furnished by *Geo*, which is published by Gruner + Jahr, the magazine subsidiary of media giant Bertelsmann. *Geo* contains long stories that are richly illustrated, and written by authors, including some who otherwise write books. *Geo* appears not only in a German edition (circulation: 540,000), but also—of the same quality—in France (circulation: 570,000), and in Spain (33,000).

Gruner + Jahr has traveled the same route with its popular science magazine *P.M.* (circulation: 450,000), which seeks to make complex scientific phenomena and relationships generally understandable. It publishes counterparts in France *Ca m' interesse* (370,000) and Spain *Muy interessante* (240,000).

The firm has also reversed the process . In 1982, Gruner + Jahr introduced a women's magazine, *Prima*, on the French market; with a circulation of 1.3 million, it has become the country's leading women's monthly . This successful concept was then brought to market at home in Germany in January 1986, and it currently has a circulation of 520,000 . A version for England was brought out in September of that same year and, at 850,000, it has already eclipsed the popularity of the German edition.

Another example of international label transfer is offered by the magazine *Eltern* (620,000), founded in 1966, which was modeled after *Parents* magazine (1. 7 million) in the United States. It was bought by Gruner + Jahr in 1969, as was the original *Parents* in 1978: under one ownership, the two magazines provide reciprocal synergies. Under the title *Ser Padres Hoy*, a similar magazine has achieved a circulation of 100,000 in Spain, and licensing rights have been sold in France, Italy, Great Britain, Brazil, South Africa, Australia, and Mexico.

Heinrich Bauer Verlag, with 20 weekly magazines alone (total circulation: 22 million),is—ranked by circulation—the largest magazine publisher in Europe. Bauer Verlag has carried label transfer a step further. For over a year now, it has been offering European advertisers a package of four women's magazines in three countries: *Tina* and *Bella* in Germany, *Maxi* in France, and *Bella* in Great Britain . The quartet share the same editorial program and sell around four million issues a week. American women are familiar with the Bauer concept under the title *Woman's World*.

Bella was introduced in Great Britain only in 1987 and its 1.3 million circulation has already catapulted it to the leading position in its category. *Best*, which competes head on with *Bella* in Great Britain, and is published by Gruner + Jahr, was brought out at the same time and has already reached a circulation of 900,000. Both publishers discovered a major gap in the market in the British Isles and moved to fill it at the right time with the editorial formula that had been so successful in France and Germany.

The most successful publication in the Axel Springer Verlag is its daily tabloid newspaper *Bild*, which has Europe's largest circulation—5.7 million . And its *Bild am Sonntag*, with a circulation of 2.6 million, is Germany's largest Sunday newspaper, a felicitous combination of supplement and newspaper. In the past few years, the *Bild* group has also made impressive inroads in magazines. Its *Bild der Frau* has become the country's most popular women's magazine (2 million), *Auto Bild* the raciest car magazine (800,000), and *Sport Bild* the fittest sports magazine (600,000).

Having appeared on the scene only in March 1986,

Auto Bild has not only been successful on the German market, but has also established itself speedily as the prototype for the European magazine. In joint ventures with prestigious publishers, *Auto Bild* appears as *Auto Plus* in France, in England as *Auto Express*, and in Hungary as *Auto Express*. Under licensing agreements, it is published in Italy as *Auto Oggi*, in Norway as *Auto Nytt*, and in Holland as *Auto Week*. Another thing these foreign editions have in common with *Auto Bild* is that they have all reached a leadership position in their respective countries with a total circulation of 1.6 million.

The Phase of Strategic Alliances

As the corporate spokesman for Burda Publications, I quite naturally want to discuss our company's activities. In a recent address to German publishing executives and journalists at the University of Hohenheim, our publisher, Dr. Hubert Burda, noted:

> "We are also experiencing in these times of change a change in generations. It was important for the founder generation after World War II to do everything by themselves . We have entered a phase of mergers and deals, and the key message today is joint venture. Its significance embraces the globe and is just as valid for Milan, Paris, London and New York as it is for Moscow and Budapest."

Ours is a time of strategic alliances. This concept has been notably successful in Germany in setting up private radio stations, not only because of regulatory considerations but also due to the great need for know-how and financial resources . Together with other publishing houses, Burda is a partner in a number of radio stations in southern Germany. Among these, *Antenne Bayern* is already operating in the black. Burda is financially and conceptually involved in the private television channel RTLplus that in 1990 already had higher advertising revenues than the state-owned national television station—das Zweite Deutsche Fernsehen.

Burda produces for RTLplus a news magazine program *Inside Bunte* that is based on the American concept. The show reports exclusively on people, their successes and fortunes, using background material from stories that have appeared in our picture magazine *Bunte* (one million circulation).

Other examples of successful strategic alliances are represented by Burda's business ventures with three international publishers—Hachette, Forbes, and Rupert Murdock. In 1988, France's Groupe Presse Hachette and Burda brought out a German version of *Elle*. It is already profitable and, with a circulation of 160,000, is the market leader among higher-priced women's fashion magazines in German-speaking countries.

In March 1990, we published the first issue of *!Forbes in Burda*, the business magazine for Europe. Our German *!Forbes* constitutes a lively entry into the otherwise dry field of business journalism. The magazine's philosophy is "Be successful, get rich, and enjoy it:", and already has newsstand sales of 100,000 an issue. In *!Forbes*, Burda has, as in the case of *Elle*, a new entry aimed at the so-called *new realists* target group. These *new realists* have a different feeling for values, entertain completely different perspectives, and subscribe to a philosophy oriented towards enjoying life. A radical change is taking place away from a grim world of political utopias to an open

society that offers new opportunities for personal advancement.

These international alliances are not one-way streets either. For example, Burda transferred the concept of *Mein schöner Garten* (410,000), Germany's most successful gardening magazine, to France, where it appears as *Vivre au Jardin* (100,000) and is marketed with the know-how of Hachette.

Burda is working with Rupert Murdock in the printing business. Murdock's News Corporation prints its newspaper supplements *Sunday* (6 million) and *Sunday Times Magazine* (1.6 million) in Darmstadt and, therefore, is a part owner of Burda News Druck GmbH near Frankfurt. Burda has also chosen Murdock as a partner in a joint venture in eastern Germany where we are getting ready to print a daily newspaper near Berlin.

Looking East

In the editorial commentary of Burda's 1989 annual report, Hubert Burda wrote:

> "November 9, 1989 (the opening of the Berlin Wall) has created new opportunities for all German publishers. The opportunity to introduce existing or entirely new magazines and newspapers to 17 million readers will never come again in a publisher's lifetime. It is a reprise of the Federal Republic in the 1950s."

Burda was one of the first European publishers to discover the market in Eastern Europe. Back in March 1987, *Burda Moden*, a magazine that Aenne Burda has used for more than 40 years to help women in more than 100 countries become more attractive and aware, published a Russian edition, the first Western publication to appear in the Soviet Union. A Hungarian edition followed a year later. Since the beginning of 1989, Aenne Burda and her son Hubert have served as the general representatives for worldwide advertising sales for the Soviet government newspaper *Izvestia*.

On October 3, 1990, the day Germany was unified, Hubert Burda observed in an editorial in his magazine *Bunte*:

> "If anything has prevailed—not just in the GDR but in all of Eastern Europe—it is the idea to which Thomas Jefferson anchored his Declaration of Independence: the idea of the pursuit of happiness without being pa tronized by the state. Shortly after the turn of the last century, the English philosopher Jeremy Bentham inter preted the goal of free economics and business as the greatest happiness for the greatest number of people."

Furthermore, something else has influenced the political upheaval in Eastern Europe: *the free media*. Radio Free Europe in Prague and Warsaw, in Budapest and Leningrad had made possible the free circulation of ideas that alerts people to new ideas and opens up new types of creativity. In its programs and commercials German television had broadcast a way of life that the people in the GDR and Eastern Europe identified with and finally wanted to experience themselves.

German unification and the sudden creation in its wake of a market with a vast need to catch up in consumer goods and information has presented German publishers with new opportunities and also new responsibilities. They should view this work not as an alternative to but as part of Europe's integration.

Therefore, Burda has stuck with its concept of strategic alliances in eastern Germany. Together with the Gong-Verlag and a newspaper publisher in the state of Thuringia Burda began publication—in March 1990—of the first new magazine in the eastern German market, a television program guide called *Super TV*. In the meantime, it has sold two million copies and offers advertisers the broadest reach in eastern Germany.

Super Illu, a weekly magazine, followed in August 1990, also in cooperation with Gong-Verlag. Based in the eastern part of Berlin, it stresses themes and topics of direct concern to the people (and consumers) of eastern Germany. These people can naturally be better served by a magazine edited largely by East Germans than by publications from western Germany, which are generally tailored to a satiated readership.

Germany's other major publishers such as Bauer, Gruner + Jahr, and Springer prefer to concentrate on acquiring established east German newspapers.

Aenna Burda was motivated by similar considerations when she introduced her women's magazine *Meine Woche* to the market in eastern Germany.

Germany's other major publishers such as Bauer, Gruner + Jahr, and Springer prefer to concentrate on acquiring established east German newspapers. For example, Gruner + Jahr, along with British publisher Robert Maxwell, has bought the publishing house of the PDS Party, the successor to the communist SED. Readers of the newspapers and magazines of this leading east German publishing house are dwindling as rapidly as the membership of the once mighty SED. *Glasnost* and *perestroika*, new ways of thinking, will require new media. We have only to recall Mikhail Gorbachev's advice to Erich Honecker two years ago: "Life punishes those who come too late."

The unification of Germany, which happened almost over night, and the impending single European market are only two important steps on the way to a united Europe of the East and the West. The peaceful unification of the people of Berlin and Germany should serve as a model for our neighbors in London, Paris and Rome, as well as in Bucharest, Moscow and Warsaw, for the integration of Europe's peoples and nations.

We Germans, particularly those in the media, could assume a role as intermediaries in this process: the West Germans, who for decades have been a driving force for European integration; and the East Germans with their special knowledge of the languages and markets of Eastern Europe. A start has been made. Berlin is a part of Germany. And Germany is a part of Europe. □

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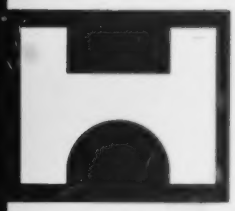

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Überblick

Neue Medienkonzepte in einem neuen Europa

Wenn wir von 1992 sprechen, dann meinen wir zumeist ein ganz bestimmtes Datum: den 31. Dezember 1992. Den Tag, an dem der Europäische Binnenmarkt Realität wird.

Die europäischen Verleger und andere Medienunternehmer haben die europäische Herausforderung längst angenommen. Sie haben sich gegenseitig eine Menge zu bieten an wirtschaftlichen Erfahrungen und an unternehmerischer Fantasie. In ihrer Fachkompetenz ergänzen sich die Medienmacher Europas. Beispielsweise verstehen die Franzosen viel von Mode und Schönheit, die Italiener von Kunst und Lifestyle und die Deutschen von Automobilen und Unterhaltung.

Der Verleger Dr. Hubert Burda stellte vor kurzem in einem Vortrag in der Stuttgarter Universität Hohenheim vor deutschen Verlagsmanagern und Journalisten fest: „Wir erleben in dieser Zeit des Wandels auch einen Wechsel der Generationen. Für die Gründergeneration nach dem Zweiten Weltkrieg war es wichtig, alles allein zu machen. Heute sind wir in eine Phase des Mergings and Dealings eingetreten, und das Schlüsselwort unserer Tage heißt Joint Venture. Seine Bedeutung ist weltumspannend, sie gilt nicht nur für die Aktivitäten in Moskau oder Budapest, sie gilt genauso für Milano, Paris, für London und New York."

Mit der deutschen Einheit und der daraus resultierenden plötzlichen Marktausweitung mit einem fast unermeßlichen Nachholbedarf an Konsum und Information sind den westdeutschen Verlegern nicht nur neue Chancen, sondern auch neue Aufgaben zugewachsen. Sie müssen die Arbeit in den neuen östlichen Bundesländern nicht anstelle, sondern als Teil der europäischen Integration sehen.

Die quasi über Nacht Wirklichkeit gewordene Einheit Deutschlands und der kommende Europäische Binnenmarkt der zwölf EG-Staaten sind (nur) zwei wichtige Schritte auf dem Weg zu einem vereinten (Ost- und West-) Europa. Die friedliche Vereinigung der Bürger von Berlin und aller anderen Deutschen sollte den Nachbarn in London, Paris und Rom ebenso wie in Bukarest, Moskau und Warschau als Vorbild für die zivilisierte Integration der europäischen Völker und Nationen dienen. □

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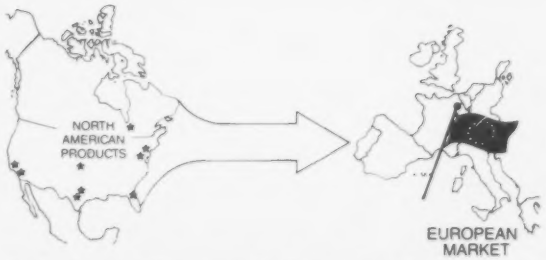

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Die Globalisierung der Industrie aus europäischer Sicht

The Internationalization of Industry: A European Perspective

Dr. Paul J.J. Welfens
McCloy Distinguished Research Scholar
American Institute for Contemporary German Studies
The Johns Hopkins University
Washington, DC

The globalization of competition is a rather new characteristic of the world economy, and certainly this simplified view overlooks international technology gaps and the asymmetric structure of global trade with the two-thirds share of the OECD countries. At least transatlantic trade no longer dominates since Japan became a leading exporter in the 1970s. Having become a major trading power, Japan entered the international competition stage with heavy foreign direct investment in the 1980s. Japanese activities included the establishment of transplants in the U.S., the NICs and Europe. Since network structures have become so important in industry, failure of local would-be suppliers to meet Japanese quality requirements has often resulted in an acceleration of Japanese foreign direct investment. Japanese suppliers of intermediate products followed the big companies abroad, which facilitates meeting local content rules; an alternative strategy could be to acquire local suppliers.

While the perception of a Japanese challenge indirectly encouraged the economic integration process in Western Europe, the response from European industries was long a fragmented one. This fact was reflected in the failure to form *Euronationals*. While pursuing outward foreign direct investment in North America and the Third World, British, German, French and Dutch (as well as Swedish and Swiss) multinationals allocated minor funds to intra-EC investment projects; until the late 1980s, European M&As

. . . transatlantic trade no longer dominates since Japan became a leading exporter . . .

were mostly within the national framework. Moreover, state-owned industries and banks in France, the U.K., Italy, Spain and Germany constituted a restricted European M&A menu. However, the supply-side revival of the 1980s in Europe and a wave of privatization schemes, as well as the envisaged formation of a single EC market by 1993, changed this pattern.

Transnationals versus Euronationals

The internationalization of industrial property rights — the process of transnationalization (international production plus internationally mixed equity capital) — accelerated in the late 1980s in the EC. Unilever and the Royal Dutch Shell company, being early transnational firms, were joined by many other transnationals and new forms of border-crossing joint ventures. More recent transnational formations comprising such firms as Airbus Industries, ABB or SGS-Thomson as well as a host of international joint ventures such as AT&T/Italtel, ECIA/Reistritz, IBM Japan/Toshiba testify to the increasing role of international production and financing.

The unifying EC markets called for larger firms. Since national M&A options were rapidly exhausted in view of generally strict competition policies and because Euro-American M&As among leading companies were rarely feasible (due to the risk of meeting the resistance of politicians on both sides of the Atlantic as well as defensive take-over maneuvers) the formation of Euronationals became a much pursued option. Transatlantic industrial cooperation increasingly took the form of technology joint ventures and joint R&D projects between firms of complementary strength in core technologies. As regards the European reaction to EC 1992, firms emphasized both the need for greater cooperation in R&D and greater use of the firms" resources; in addition to this, the aim is to increase the size of production units and to tailor more specialized products, which points to the need for product innovations as well as the desire to segregate markets in accordance with greater product variety.

. . . because Euro-American M&As among leading companies were rarely feasible . . . the formation of Euronationals became a much pursued option.

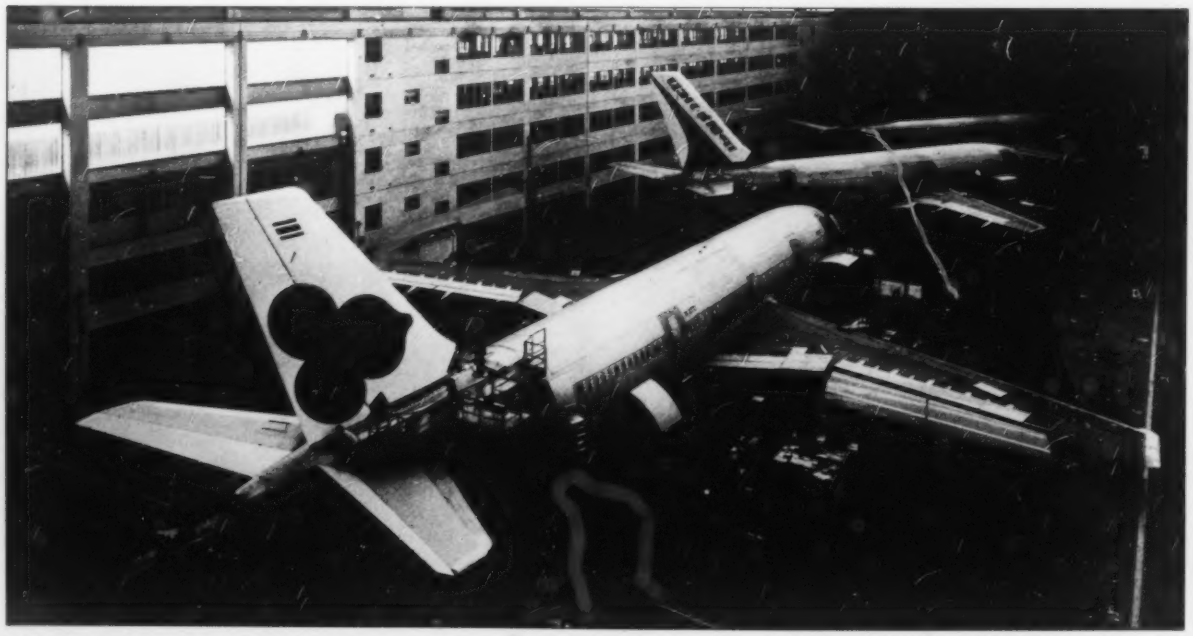
In the EC the formation of Euronationals is to a large extent in response to the advance of Japanese multinationals — which rarely stand for international equity capital — and the increasing role of the NICs in global markets. Another motivaton to form Euronationals stems from the attempt to improve access to the huge national markets for government procurements and R&D subsidies in the EC. Finally, declining transportation and communication costs as well as robotics facilitate the spread of more complex multinational corporate structures that allowed the exploitation of economies of scale by centralizing certain functions such as R&D and finance, while emphasizing at the same time decentralization, flexible specialization and intra-company competition in production and distribution.

Opportunities for U.S. and European Companies

Generally, the global role of multinational and transnational companies is expanding, and the 600 leading multinational companies, which account for roughly 20 percent of global value-added in manufacturing and agriculture, are primarily shaping international economic relations. Japanese companies have joined traditionally dominating U.K. and U.S. firms as powerful international investors in the 1980s and have caused with their transplants in the U.K. and other EC countries considerable adjustment pressure while contributing to modernizing the host economies.

In the EC the formation of Euronationals is to a large extent in response to the advance of Japanese multinationals . . .

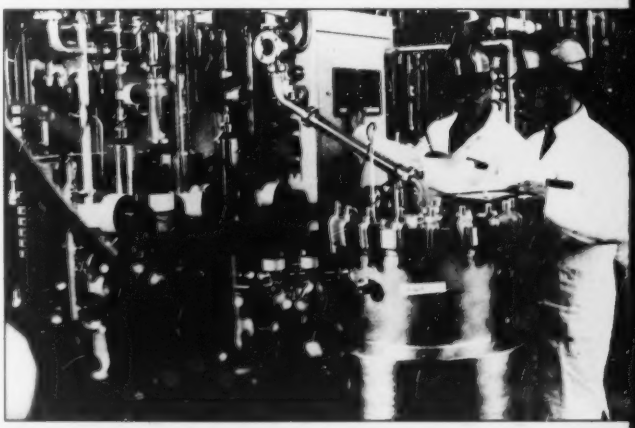
In view of an ongoing EC integration process and the increasing role of multinationals worldwide, there are new opportunities for Europe's traditional leaders in international investment: the U.K., the Netherlands, Germany and France, where the first three are traditional advocates of



Airbus Industries is a model of the new Euronational corporation.

free trade (along with Denmark); in the course of a restructuring of the EC industrial landscape, the relative weight of protectionist and liberal forces might change in major European states. To the extent that trade and foreign direct investment are parallel, leading source countries of such investment can be expected to be promoters of both free trade in goods and in assets. Host countries play a role for the EC policy stance, too. Obviously, inward foreign direct investment that creates jobs and generates taxes is a factor influencing the acceptance of imported input factors: e.g., Japanese transplants in the EC serve not only the function of safeguarding against losing market shares in the context of potential import barriers, their presence can indeed create new two-way trade. More critical could be the impact upon capital flows, namely to the extent that Japanese companies tend to favor Japanese banks in their financing transactions abroad.

U.S.-based corporations still are the internationally most influential multinational companies because they not only organize a geographically diversified production, but have doubled within three decades the relative financing of affiliates from non-parent sources and have thereby become more influential in international capital markets: U.S. companies' foreign direct investment represented in the late 1980s only 31 percent of the value of their affiliates' assets; at the same time — in contrast to Western Europe and Japan with 42.2. and 7.6 percent — the ratio of foreign sales to total sales had decreased to about a quarter in North America in 1985. U.S. merchandise trade between U.S. parent companies and majority-owned foreign affiliates was particularly high in Canada and, to a certain extent, in Europe. In contrast to low affiliated merchandise imports from the EC, which had a percentage share (as a proportion of the respective U.S. trade) of 9.9 percent in 1985, the share of affiliated exports to Europe increased in the 1980s and reached a share of about one-third. High affiliated exports to majority-owned affiliates in Europe imply a potentially high role for transfer pricing and some uncertainty with respect to exchange rate impacts on the volume of trade.



A biotechnology plant at BASF, one of the world's major transnational companies.

Benefits to U.S. Investors

Fear of Fortress Europe as well as the anticipation of growing markets in Eastern Europe is accelerating U.S. and Japanese investment in the EC. The EC is not only the

Table 1a: Breakdown of Mergers/Takeovers and Acquisitions of Majority Holdings by Type of Operation (Industry) - figures in parantheses are in percent

	Domestic Operations	Community Operations	International Operations	Total
1983/84	101 (65.2)	29 (18.7)	25 (16.1)	155(100%)
1984/85	146 (70.2)	44 (21.2)	18 (8.7)	208(100%)
1985/86	145 (63.9)	52 (22.9)	30 (13.2)	227(100%)
1986/87	211 (69.6)	75 (24.8)	17 (5.6)	303(100%)
1987/88	214 (55.9)	112 (29.2)	57 (14.9)	383(100%)

Table 1b: Breakdown of New Jointly Owned Subsidiaries by Type of Operation

	Domestic Operations	Community Operations	International Operations	Total
1983/84	32	11	26	69
1984/85	40	15	27	82
1985/86	34	20	27	81
1986/87	29	16	45	90
1987/88	45	31	35	111

Source: EC Commission, 1988, 1989. Reports on Competition Policy, Brussels .

Table 2: Influence of Completion of the Internal Market on the Strategies of Industrial Firms (net balance between positive and negative impacts)

	EUR	E	F	I	NL	UK	Germany
Research and development							DOM EURO
Greater cooperation (*/**: employees </>1000)	42	39	44	47	20	66	30 32* 17* 19**22**
Greater use of the firm' s resources	44	15	43	43	27	66	46
Production of plant							
Increase in size of production units	24	8	17	18	-	17	30
Increase in number of production units	7	0	-2	17	-	1	14
Products							
More standardized products	24	9	29	33	16	28	21
More specialized products (adapted to each market)	38	38	40	49	31	32	36

Source: EC Commission, 1989, European Economy, No. 42, p. 191 and Penzkofer, H.H. (1989), Unternehmensstrategie und europäischer Binnenmarkt, IFO-Schnelldienst, 11/89, p. 17.

prime trading partner of the EFTA and the CMEA countries, but also the greatest market for U.S. exports, whose EC share is nearly 25 percent. With $ 620 billion, affiliates of U.S. multinationals in Europe recorded sales that were eight times the size of U.S. merchandise exports to this region, so that U.S. companies will benefit from rising incomes and growing intra-EC trade. Relatively high income and price elasticities for Europe (compared to Japan, but not in comparison with Canada) suggest that integration induced increases of per capita incomes in the EC and declining dollar exchange rates will particularly stimulate the American economy. However, a real depreciation of the dollar increases — in dollar terms — the profits from sales by European affiliates, and at the same time makes U.S. exports more profitable, so that the effect on the ratio of affiliated sales to U.S.-based exports is ambiguous unless higher output of subsidiaries goes along with increasing imports of capital goods and intermediate products from the parent company.

Higher exports of U.S. companies could follow from softer *COCOM* rules. However, *a priori* it is unclear whether U.S.-based firms or U.S. affiliates located in Europe would benefit more from this. The distinction between U.S.-based firms and U.S.-owned companies is quite important if one is to assess the competitiveness of a country as compared to its firms: while the U.S. share of manufacturing exports fell considerably in past decades, the global share of U.S. multinational corporations was maintained, since affiliates' gains compensated for parent companies' weakening positions.

Foreign direct investment contributes to economic growth by eliminating regional differentials in the marginal product of capital and stimulating competition in host countries, promotes the international flow of technologies and broadens the know-how basis of the multinational firm. Moreover, it affects the transmission channel of endogenous and exogenous shocks and shifts: e.g., depending on the degree of multinationality and the amount of lower costs associated with foreign direct investment, exchange-rate changes will have an impact on the pricing strategy of the firm and the effectiveness of exchange-rate policies.

. . . while the U.S. share of manufacturing exports fell considerably in past decades, the global share of U.S. multinational corporations was maintained . . .

As the share of trade in goods, services and technology running through multinational companies is growing, the development of the multinationals itself is important. If horizontal integration were to dominate vertical international integration, then monopolistic and protectionistic forces would gain in the world economy; increasing economic returns would then accrue to workers in the respective firms, their owners and the governments (via taxes). Finally, highly mobile international capital could also contribute to an intensified international competition between political approaches and regulatory regimes, which is the case in Europe. □

Überblick

Die Globalisierung der Industrie aus europäischer Sicht

Wenngleich die Erkenntnis der japanischen Herausforderung indirekt den wirtschaftlichen Einigungsprozeß in Westeuropa förderte, war die Antwort der europäischen Industrie darauf lange Zeit fragmentarisch, brauchte es eine gewisse Zeit bis zum Zusammenschluß der Euro-Multis. Bis dahin waren Firmenzusammenschlüsse und Erwerbungen in Europa meist auf das nationale Umfeld beschränkt. Innerhalb der EG war die Schaffung von Euro-Multis die Antwort auf den Vorstoß der japanischen Welt-Multis und der Schwellenländer auf den globalen Märkten. Ein weiterer Grund für die Bildung von Euro-Multis bestand darin, den Zugang zu Regierungsbeschaffungen sowie Forschungs- und Entwicklungssubventionen zu verbessern.

Mit dem fortschreitenden EG-Integrationsprozeß und der zunehmenden Bedeutung der Welt-Multis entwickelten sich die Chancen für Europas traditionelle Investitions-Führungsriege: Großbritannien, Niederlande, Deutschland und Frankreich. Vor dem Hintergrund, daß Handel und Auslandsinvestitionen Hand in Hand gehen, kann von führenden Investitionsländern erwartet werden, daß sie für den freien Austausch sowohl von Waren als auch von Vermögenswerten eintreten. Bei den in den USA ansässigen Unternehmen handelt es sich um multinationale Firmen mit dem größten internationalen Beeinflussungsvermögen.

Die Furcht vor der "Festung Europa" sowie die Erwartungen in die wachsenden Märkte Ost-Europas beschleunigt die Investitionstätigkeit US-amerikanischer und japanischer Unternehmen in der EG. Die EG ist der größte Markt für US-Exporte; etwa 25% der Gesamtexporte der USA gehen in diesen Wirtschaftsraum. Während der US-Anteil an Exporten des gewerblichen Bereichs in den letzten Jahrzehnten deutlich zurückgegangen ist, konnten die US-Multis ihren Gesamtanteil halten, da mit den Gewinnen der Tochterunternehmen häufig die rückläufigen Entwicklungen bei den Muttergesellschaften kompensiert werden konnten.

Ausländische Direktinvestitionen stellen einen bedeutenden Faktor beim Wirtschaftswachstum dar, da sie bestehende regionale Unterschiede bei Kapitalgütern eliminieren, den Wettbewerb in den Gastländern fördern, den Technologiefluß verbessern und die Knowhow-Basis des multinationalen Unternehmens erweitern. Schließlich ist internationales Kapital in der Lage, den Wettbewerb in den politischen Ansätzen zu verstärken und die Regierungspolitik nenneswert zu beeinflussen, wie das Beispiel Europa belegt. □

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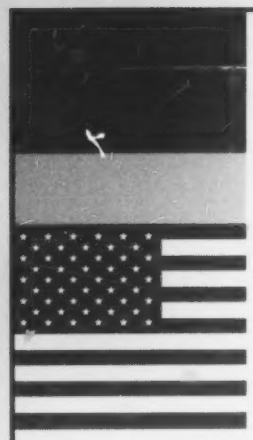

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Land Bremen - Mehr als ein Service-Zentrum für den Welthandel

Bremen: More Than a Service Center for International Trade

Klaus Wedemeier
Mayor and
President of the Senate of the Free Hansa City of Bremen

Two cities compose the Federal State of Bremen — a unique constellation in the heart of Europe that has stood the test of time and offers abundant promise for the future. Bremen itself is over 1,200 years old and is situated on the Weser River; Bremerhaven, its gateway to the North Sea, is located right at the mouth of the Weser. Admittedly a small state, it nevertheless has an important economy and is a creative service center for international trade. In addition, Bremen and Bremerhaven have over the past few years become significant centers of science and high technology in Europe. In this respect, more than their role as ports is directed towards the future.

Trade has defined Bremen's economy for centuries. With their age-old orientation towards shipping, the ports of Bremen and Bremerhaven, as well as their immediate environs, constitute the economic backbone of this State. It goes without saying that the requisites of building and maintaining ports, and promoting and developing shipping and trade are core elements in the State's constitution. The State's self-reliance rests upon the convictions of its citizens as well as its maritime traditions.

. . . Bremen has already become the leading scientific, research, and technology center in northwestern Germany.

The State of Bremen has grown to become a major economic factor in Northern Europe, and it maintains a high quality of life. It has all of the elements that are crucial for growth to a metropolis: the political framework (Bremen is independent and autonomous), the geographic location, the economic preconditions, and a favorable social structure. Bremen has thrived in a cosmopolitan atmosphere, an atmosphere whose ambiance and creativity have set the foundation for the future of Bremen and Bremerhaven.

Thinking Creatively

The State government and the business community are determined not to rely solely on their ports to secure their economic future, and this is where creativity comes into play. The State has invested substantial sums over the past few years to improve and expand its science infrastructure, a program that recognized global structural change and the emergence of new technologies.

Although the program is still expanding, Bremen has already become the leading scientific, research, and technology center in northwestern Germany. In close cooperation between the business and scientific communities, high-technology businesses and research facilities are being created. At its core stands the Bremen Center for Innovation and Technology (BITZ) where approximately

The Town Hall of Bremen, one of Europe's most beautiful.

3,000 new jobs will be created by the turn of the century.

One spectacular futuristic project of international significance involving space research was developed at the University, whose Center for Applied Space Technology and Microgravitation (ZARM) built a 480-foot-tall gravity tower that provides unique opportunities for experiments that require weightlessness and is available to anyone in the world. The gravity tower has joined the statues of Roland and the Bremen musicians as one of the city's landmarks.

Up to now, the only such towers in the world were located in Huntsville, Alabama and Cleveland, Ohio. But, already 20 years old, these two are no longer up to date and have a capacity for only one experiment a day. In Bremen, by contrast, two to three experiments a day are possible, making it the international leader in this scientific field.

The gravity tower has proven to be an excellent investment, with its facilities already fully reserved for several years in advance. To be sure, ZARM is but one example.

. . . the city is now a leading center for the aerospace industry and produces key components for the European Ariane rocket as well as . . . for the European Airbus.

Bremen is aggressively pushing through further science projects, rendering its authority in the scientific field uncontested throughout the region.

The same can be said for its sister city, Bremerhaven, 45 miles away. Its Alfred Wegener Institute for Polar and Oceanic Research is an internationally recognized research facility. But there is much more: Bremerhaven also has an engineering school and a facility that does broad research for the food industry and food quality control. Locating this facility in Bremerhaven was logical since its processing plants have made it the most important fishing port on the continent.

Top-of-the-Line High Tech

The importance of the food industry cannot be overestimated. Its world famous Beck's beer is a best seller in the United States. But the State of Bremen has developed other key industries over the last 90 years. Among others, the city is now a leading center for the aerospace industry and produces key components for the European Ariane rocket as well as components for the European Airbus. The city is also an important automobile manufacturer. Mercedes-Benz builds models in its 190 series here, as well as vans and most recently an elegant roadster. With 15,000 employees, Mercedes-Benz is now the largest single employer in the State.

The State has undertaken prodigious efforts to remain internationally competitive in the ship-building industry. Its innovative ship-builders maintain first-class dockyards that have earned them an international reputation for specialized ships and for refitting and rebuilding cruise liners. Outfitted with the latest in microelectronics and navigational systems, its ships set new standards for safety at sea, and are among the proudest elements of its high-tech industries.

Service Centers for World Trade

The examples cited above are only the beginning, but they do serve to highlight the roles of Bremen and Bremerhaven as centers of commerce, shipping and trading ports on the one hand, as well as key high-technology industries. However, the ports — with their full spectrum of services — still constitute in their entirety the most important economic potential of the State: around a quarter of all jobs are directly tied to the maritime economy and, correspondingly, account for about one-fourth of its total output of goods and services.

. . . transit ports are increasingly being transformed into service centers that offer . . . complete transportation networks . . .

Every year, some 10,000 ships transit its ports and link Bremen to over 1,000 foreign ports around the world. With a total volume of freight amounting to almost 33 million tons a year and a value of more than DM 80 billion, Bremen performs a function whose significance extends well beyond the borders of the Federal Republic, for other European countries also expedite their trade with foreign countries via Bremen and Bremerhaven. Their specialty is in handling and trans-shipping high-value piece goods, of which around 20 million tons are registered annually.

With two port facilities in Bremen and Bremerhaven, the Free Hanseatic City of Bremen offers tremendous advantages that scarcely any other port in the world can claim. As Germany's most southerly port, Bremen offers the shortest and thus the most economic route to the heartland of Europe, while Bremerhaven — directly on the

North Sea — is an ideal facility for container and automotive cargos. No wonder, then, that containers and automobiles dominate its docks.

A variant to this scene of industrial freight — and one that is rich in tradition — is the Columbus Terminal. This world-renowned pier was the port of embarkation and debarkation of luxury ocean liners in the golden age of trans-Atlantic passenger travel before jet airliners wrote finis to this mode of travel. Not least of all, it was also the port of departure for millions of Central and Eastern Europeans who were emigrating in search of a better life overseas, mainly in the United States, right up to the middle of this century.

But the Columbus Pier is anything but a deserted relic in our own era. On the contrary, cruise ships have replaced the ocean liners, either using Bremerhaven as a home port or as tour site on the cruise route. To be sure, this doesn't represent a significant share of the port's business today, which is still predominantly linked to maritime freight and adjunct services.

Enhanced Port Services

Although the traditional services of loading, unloading, and storing freight are still basic functions of a modern port, the execution of these traditional functions alone cannot ensure success in the highly competitive international environment. Particularly on the North Sea coast where there are a number of large and efficient ports that have witnessed profound structural change in the past few years. This is due not only to the development of maritime transport systems, e.g., containers, but also to the fact that transit ports are increasingly being transformed into service centers that offer solutions in the form of complete transportation networks from the point of origin to the recipient abroad, services that are of growing importance.

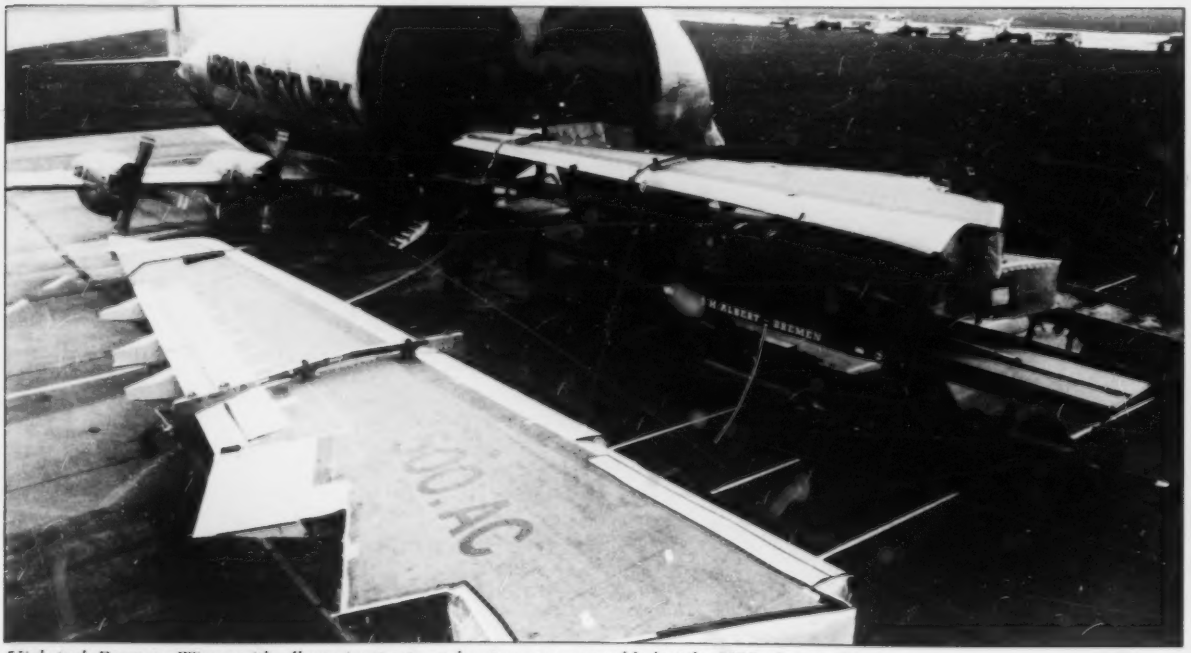
Bremen and Bremerhaven have always prided themselves on recognizing the special challenges of each era early on: innovation and investment quickly followed. For example, Bremen was the first German port to build up a container capability in the middle of the 1960s, and in May 1966 the MS Fairland of Sea-Land Lines was the first container ship to be serviced.

At the beginning of the 1970s the first berths for full container ships were built by Bremerhaven on an open stretch of the North Sea. Today, it ranks among the largest and most efficient container terminals in the world: it is the longest self-contained trans-shipment facility in Europe, and current plans envisage another extension to the north that is scheduled to be completed by the middle of the 1990s. At that point, the terminal will be capable of servicing 12 large container ships simultaneously.

A further example of the drive to innovate at the ports of Bremen is the development of a special computerized logistics system and its integration into the international transportation network. As early as 15 years ago Bremen was the first to introduce an information system that encompassed all of its operations.

Politics Drives Growth

Against the background of a Europe that is growing together, one that also includes countries other than the members of the European Community and increasingly the nations of Eastern Europe, political, economic, and social forces are being confronted by new challenges. These



High-tech Bremen. Wings with all moving parts and systems are assembled at the MBB plant in Bremen.

cannot be met by conceptualizing in national or regional terms, nor will the formulas of the past alone suffice to provide effective solutions for the future. We will have to think increasingly in terms of complex relationships. The major seaports will also have to take account of this fact if they are to adjust their service potential to the needs of a new epoch.

The imminent single European market will undoubtedly generate substantial momentum in this direction, but it will not turn itself into a *closed shop* from 1993 on, as has been feared abroad. This would run counter to the general development of the worldwide economy and drive Europe within a few years into political and economic isolation. Rather, the European dynamic — against the backdrop of an increasing division of labor — will produce a suction effect that will have a positive impact on markets around the world. This trend is already visible and will grow in the next few years.

. . . the terminal will be capable of servicing 12 large container ships simultaneously.

The ocean port is a natural depot for information in global maritime traffic, with merchandise alternating with the carriers. Therefore, it is obvious that trade and trans the transportation networks are organized, regulated, and supervised here, and that they ensure the necessary flows of information. This threshold has already been crossed in the ports of Bremen.

The central availability of a transportation network in a port with a single vendor has proven to be an important tool for gaining new business. The importance of this expanded range of services will also increase in the future. port-related services are concentrated in the ports, and that The seaport will assume a central function within the international transportation network with regard to the global data base. The importer finds out from Bremerhaven whether his car is already on board and when it will be delivered.

German unification and the growing political and economic openings in the nations of Europe will also create further synergies for the ports of Bremen and Bremerhaven. In essence, they are no longer on the western *frontier* of Europe but in a central coastal position of a Europe that is no longer divided by a deep ideological cleft. Germany's seaports have already become significant partners in trade with the Soviet Union and the countries of Eastern Europe.

I am convinced that the nations of Eastern Europe have a realistic and promising opportunity to develop into modern and productive industrial societies: there is no alternative to the road they have taken. The West will have to participate in this reconstruction — not only in its own self-interest but in order to help the people there attain a visibly higher standard of living.

As Eastern Europe orients their economies towards free markets, their goods will also seek out more efficient routes for transport and transit and not, as in the past, be directed by the central authorities to designated ports. This has already happened in the economy of eastern Germany.

German unification and the growing political and economic openings in the nations of Europe will also create further synergies for the ports of Bremen and Bremerhaven.

As far as we can now judge, the expansion of their trade will run primarily by way of Germany's North Sea ports. Not least of all, this will happen because large container ships no longer use the ports on the Baltic Sea — due to

The Container Terminal in Bremerhaven. More than 1.1 million containers are handled every year in the ports of Bremen.

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the higher costs involved — but instead utilize the large terminals on the North Sea.

Avoiding Bottlenecks Via the Ocean

Europe is far more densely populated than the United States. Overburdened roads and highways are an everyday event. Environmental considerations will also require that old routes will have to be expanded, with the most modern logistical systems.

In the long run, highways and railroads in Europe will not be able to meet the growing demand for transport services to the extent required. Transportation experts are already talking about the threat of a *nervous breakdown in transportation.* I believe that the expansion of rivers, canals, and coastal ports represents an alternative option for coping with Europe's internal merchandise traffic. The challenge of meeting this transport problem cannot be underestimated.

Container transport serves as a cogent example. So-called feeder ships link the smaller ports in Europe with major ports in Germany, Holland, Belgium, and England, literally *feeding* the large container ships that serve container terminals around the world on exact schedules. The future solution to growing merchandise traffic is unquestionably — in my opinion — by water routes, a potential for growth for which we must prepare ourselves early on.

Preparing for the Future

If we intend to expand our maritime capabilities, we must improve the flow of information: communications in international freight traffic is of sustaining significance, one in which Bremen and Bremerhaven set pioneering standards as far back as the early 1970s. The services of the communications facilities set up at that time have been meticulously expanded, and will eventually be patched into a global data link that will offer extensive services for foreign trade.

With the establishment of TELEPORT, the ports of Bremen and Bremerhaven have already completed a major step by today's standards. The data bank *Ports of Bremen* is linked to efficient data partners in important economic centers around the world, from Budapest to Singapore.

A connection with New York City via satellite is in preparation, which will be of decisive importance, if only for the fact that the United States is by far the most important single trading partner for the ports of Bremen. Centuries-old, time-tested ties have played a role in this connection and should foster qualitative growth in bilateral relations. By the way, one of the first United States' consulates in Europe was established in Bremen in 1796.

More and more, it will be decisive for the quality of an ocean port of the future to improve the depth of the services it can offer, as well as the individualized solutions to problems for its global customers. That will require complex group solutions that extend far beyond the boundaries of Germany and Europe. The ports of Bremen and Bremerhaven have established internationally recognized standards and we intend to continue to maintain our leadership role.

One example is the research and development association called ISETECH (innovative seaport technologies), which is a joint venture comprised of leading port businesses in the Federal Republic. Under the rubrics *Container Terminal 2000* and *Port Communication*, this organization will seek to optimize transportation networks, port services, and information flows, and to integrate these step-by-step into the functions it performs.

In the coming years, the volume of freight processed will be far less important for seaports. Even today, that category of performance permits no direct assessment of the actual quality of a port, although freight turnover, which is easily measured and compared, is still important. Quality is more difficult to valuate, but the operating principle is *class instead of mass.*

We in Bremen and Bremerhaven intend to exploit opportunities creatively and to meet the challenges of the future — with boldness and determination and as partners to the world. □

Überblick

Land Bremen - Mehr als ein Service-Zentrum für den Welthandel

Zwei Städte bilden das Bundesland Bremen. Bremen—das sind die über 1200 Jahre alte Hansestadt an der Weser und Bremerhaven, das Tor zur Nordsee, unmittelbar an der Wesermündung gelegen. Dieses zugegeben kleine Land ist ein bedeutender Wirtschaftsplatz und ein kreatives Service-Zentrum für den Welthandel. Mehr noch: Bremen und Bremerhaven haben sich in den vergangenen Jahren zu herausragenden Plätzen der Wissenschaft und der Hochtechnologie in Europa gemausert. Hier zeigen nicht nur die Häfen Kurs Zunkunft.

Landesregierung und Wirtschaft verlassen sich in diesem Sinne nicht nur auf ihre Häfen als bedeutende Standbeine in Bremen und Bremerhaven. Mit erheblichen Investitionen hat das Land Bremen die wissenschaftliche Infrastruktur in den vergangenen Jahren verbessert und ausgebaut.

Nach wie vor aber bilden die Häfen mit dem gesamten Spektrum der vor- und nachgelagerten Dienstleistungen in ihrer Gesamtheit das wichtigste wirtschaftliche Potential des Landes Bremen. Die Umschlagplätze wandeln sich darüber hinaus zunehmend zu Dienstleistungszentren, die Problemlösungen für komplette Transportketten vom Hersteller bis zum Empfänger im Übersee anbieten, Servicelei-

stungen, die zunehmend einen höheren Stellenwert einnehmen. Mit der Einrichtung von TELEPORT sind die Häfen Bremen/Bremerhaven schon einen für heutige Verhältnisse sehr weitreichenden Schritt gegangen. Die Datenbank Bremische Häfen ist mit leistungsfähigen Datenpartnern in bedeutenden Wirtschaftszentren der Welt verbunden, so zum Beispiel mit Singapur und Budapest. Eine Anbindung nach New York über Satellit ist in Vorbereitung. New York ist allein schon deshalb von tragender Bedeutung, weil die Vereinigten Staaten für die Bremischen Häfen der bei weitem wichtigste Partner im Aussenhandel sind. Jahrhundertealte, bewährte Verbindungen zwischen Bremen und den USA haben dabei eine Rolle gespielt und die beiderseitigen Beziehungen zu der heutigen Qualität wachsen lassen. Übrigens: eines der ersten amerikanischen Konsulate auf dem europäischen Kontinent wurde 1796 in Bremen eröffnet. Wir in Bremen und Bremerhaven wollen die Chancen mit Kreativität nutzen und uns weiterhin den Herausforderungen der Zukunft stellen—mit Mut und Entschlossenheit und als Partner der Welt. □

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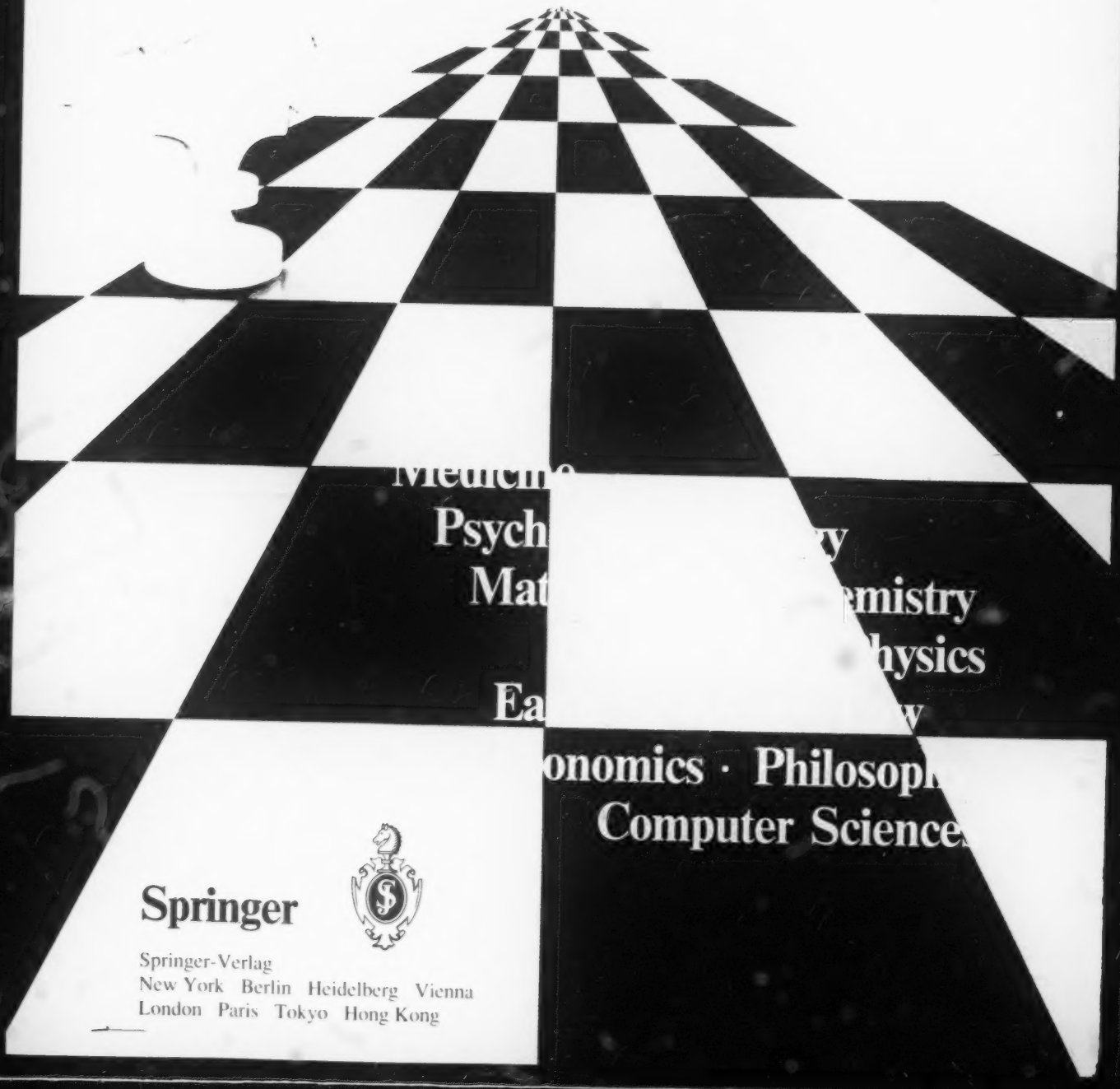

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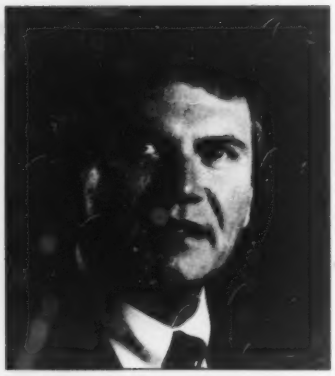
South Dakota - Chancen für internationalen Handel und Investitionen im Überfluß

South Dakota — Where Global Trade/Business Opportunities Abound



George S. Mickelson
Governor
State of South Dakota

Many have spoken of business strengths and of the German heritage of their people, but few can surpass the claims put forth by South Dakota. With more than 51 percent of the state's population being of German ancestry, South Dakota over the years has molded a pro-business climate that is attracting international attention. Recognition of opportunity in South Dakota was acknowledged in the 1870s when a large number of Germans chose to make the state their home.

Since then, determination and a strong work ethic has dominated the business direction taken by this centrally located Midwestern state.

With more than 51 percent of the state's population being of German ancestry, South Dakota over the years has molded a pro-business climate . . .

The state currently lists two of the top five counties in the United States in terms of having the largest percent of German ancestry living in their borders. Today, the state can point to the number of new business start-ups, its consistent high rankings on Grant Thornton Manufacturing Climates Study, and its record of delivering when it comes to good business climate and profit promises.

First-class Business Climate

Some 133 manufacturing operations alone have opened their doors for the first time in the past 3 1/2 years, because they say South Dakota has the key elements — very few taxes, quality and trainable workers, abundant energy supply, high productivity and quality products. These all add up to profit in a state where the people enjoy the second lowest per capita state taxes in the nation. South Dakota has no corporate income tax, no personal income tax, no business inventory tax and no personal property tax. The state unemployment insurance costs are the third lowest in the nation.

A recent survey by American Business Information listed South Dakota as one of the 12 fastest growing states in the United States in terms of new business start-ups. In fact, no state in the Midwest, other than South Dakota, was listed in the top 20 in the USA rankings. South Dakota had a 7.6 percent growth rate, while the Midwest average was 2.1 percent. Although the state's population is only approximately 700,000, South Dakota has, in my administration, taken a leadership role in the Midwest.

South Dakota has an abundance of land and has strong rail, airline and road networks. A portion of the nation's interstate highway network crosses the state from north to south and from east to west. Energy costs are considered

Wheat is one of South Dakota's biggest exports.

among the lowest in the nation.

Sioux Falls, with approximately 100,000 residents, in the southeast corner of the state and Rapid City in western South Dakota serve as regional collectors. They then link with other metropolitan centers such as Minneapolis/St. Paul, Chicago and Denver.

Computer-related industries have led the strong growth rate of Sioux Falls where population has jumped 23 percent since 1980. Among the many businesses is Ahrens Chimney Technique, Inc., which lists chimney liners as its products. Ahrens' parent company is Ahrens GmbH in Hamburg, Germany.

Chosen Business Location

From the earliest times to the present, the common element making businesses successful in South Dakota has been people willing to show up ready to work every day. Statistics back up the claim that South Dakotans are productive, trainable, quality-conscious and have repeatedly outperformed the competition.

New York-based Citibank has a major credit-card facility in Sioux Falls, SD.

In addition, testimonials by business leaders have placed credibility to the claim. For example, John Mulligan, chairman of American Western, Inc., in Sioux Falls, noted that worker productivity in his plant in South Dakota is more than twice that of plants in Los Angeles or Phoenix. Herb Bowden, Sencore, CEO, Ron Wheeler, Telelect, Inc., president, and Richard Krull, Merillat Industries, Inc., plant

In the early 1980s, South Dakota's liberalized banking laws brought the likes of Citicorp (Citibank) . . . to South Dakota.

manager, all echo similar praises of the South Dakota worker. Bowden said he tested the productivity of the South Dakota worker against a similar set-up in the company's Illinois plant. The South Dakota worker performed 70 percent better.

Recent analysis shows there is a lessened demand in the state for unskilled workers, and a heightened demand for skilled and semi-skilled workers to perform jobs in both the farm and the non-farm sectors. There is a large pool of people with work experience.

In the early 1980s, South Dakota's liberalized banking laws brought the likes of Citicorp (Citibank) and other credit-card banking firms to South Dakota. The demand for personal and business services have been an important

South Dakota has moved from an agriculturally-dominated economy to an increasing mix of agri-business, tourism, manufacturing and services.

part of economic activity since then. For example, Citibank in South Dakota, now has 2,800 employees working three shifts to handle 17 million Visa and MasterCard accounts. Citibank's sprawling complex of buildings on the north edge of Sioux Falls, SD, houses a start-to-finish credit-card operation. The people there solicit new card members by phone, decide whether applications qualify, emboss the cards and send them out, field telephone questions and complaints, send out the bills, bank the checks when they arrive and badger those who are late with payments.

Ten million people send a check to Sioux Falls every month. Indebted Americans send $1.5 billion every month to Citibank alone. Sixteen percent of the bank cards in American billfolds are issued by Citibank.

Joining the South Dakota business community in 1989 was Sears Consumer Finance. The firm brought all its servicing operations to Sioux Falls, handling over 190,000 accounts with a total of $2.5 billion in outstanding loans. In addition, Sears Payment Systems opened a newly renovated $3 million plus facility which houses 350 employees.

In September of 1990, Spiegel, Inc., of Oak Brook, Il., announced it was opening an operation in Rapid City, SD. Spiegel, Inc., the nation's largest direct marketer through semi-annual and specialty catalogs, launched the $6 million project with the help of South Dakota's low interest loan program, the REDI Fund.

A Mixed Economy

Today, the state is fast reaching maturity. South Dakota has moved from an agriculturally-dominated economy to an economy with an increasing mix of agri-business, tourism, manufacturing and services. South Dakotans no longer produce only goods and services to sustain the state's population, but plenty of items to export nationally

Interest in exports, imports and trading partners is high in the state.

and internationally. The state's business products are varied, ranging from scoreboards for Olympic events manufactured by Daktronics, Inc., in Brookings, SD, to Landstrom's Original Black Hills Gold Creations, at Rapid City, SD. South Dakota is the home of one of the largest gold mining operations in the world. Homestake Gold Mining has been an economic asset for the Black Hills region and the state of South Dakota.

The 16th largest state in the nation, South Dakota has 77,116 total square miles. This includes 75,952 square miles in land and 1,164 in water. The state has 3,080 miles of shoreline along the Missouri River.

Finance, insurance and real estate top the Gross State Products list; farming is second and services is third.

Interest in exports, imports and trading partners is high in the state. Recently, the city of Sioux Falls in South Dakota and Potsdam in Germany took the formal steps to become *sister cities*. This is the second *sister city* relationship formed. Earlier Vermillion, SD, became a *sister city* of Ratingen, Germany.

The arrangement provides an opportunity for all parties to look closely at products availabie. South Dakota is well

. . . manufacturing employment has increased by an incredible 92.6 percent since 1970 . . .

aware of the impact of Germany's 78 million customer market and what could take place when the 12 countries (including Germany) of the EC form the Single European Market in 1992.

South Dakota wants to be a stronger trading partner. The state would also like to see a good share of the 3 percent of the German population who spend vacations in the USA visit South Dakota. South Dakota is the home of the Mt. Rushmore national shrine.

Quality of Life

South Dakotans are proud of the quality of life offered in the state, including a low crime rate and the strong educational structure for the people. Over three-fourths of South Dakotans are high school graduates, and the state has awarded almost double the number of higher education bachelor's degrees per 1,000 population as the nation at large.

Fueled by my administrtion's new state programs, the

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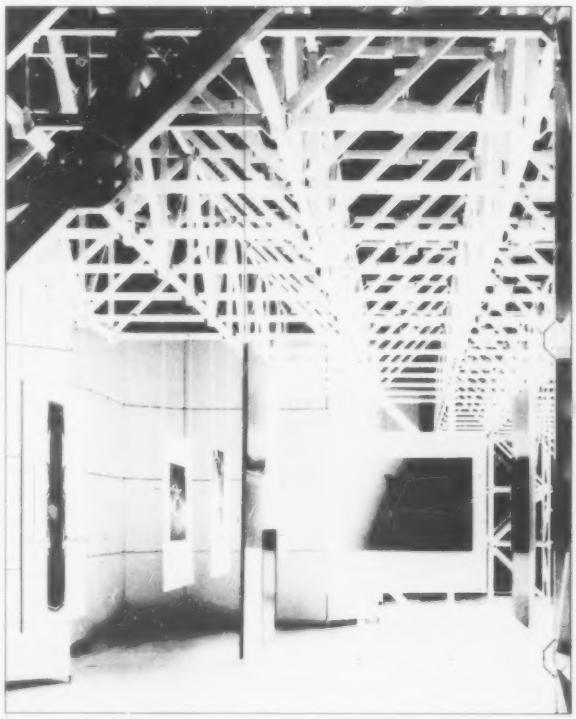

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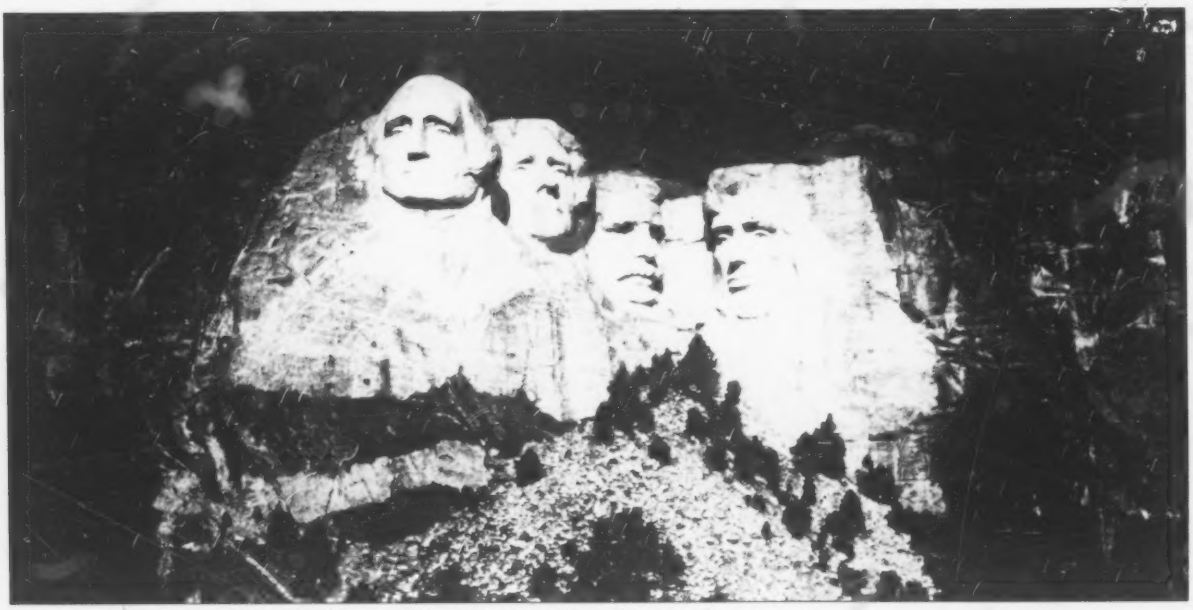
state is committed to making its economy one of the most vibrant and diversified in the nation. The state is succeeding in that goal. One of its most popular programs is the REDI low-interest loan program which was created by my administration to spur economic development in the state. The Revolving Economic Development and Initiative (REDI) Fund has exceeded all projections and has surpassed the $165 million mark in total project investment. Firms wishing to expand or locate in the state are encouraged to apply for the three-percent REDI loans.

South Dakota's manufacturing employment has increased by an incredible 92.6 percent since 1970 compared to the nation's overall increase of less than one percent (.98). Along with this fantastic growth in employment, South Dakota's manufacturing gross state product experienced a 388.5 percent increase between 1972 and 1986 — an increase only three other states in the USA could equal or better.

Why South Dakota? I have been asked that question many times. My answer is always the same. South Dakotans deliver on their promises.

Just maybe, the strong German heritage in the people of South Dakota has something to do with that. □



Mount Rushmore National Memorial attracts more than two million visitors each year.

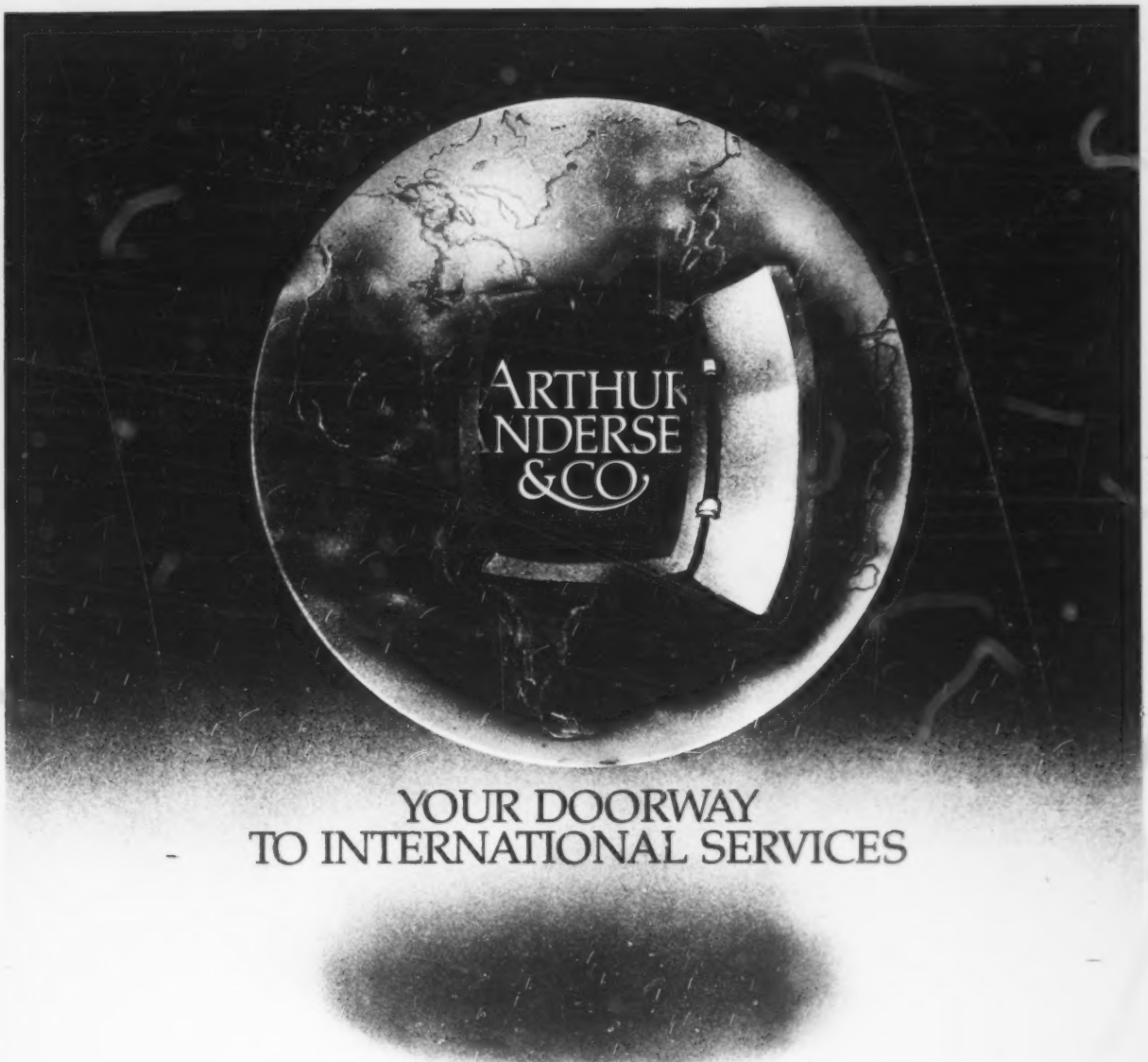
Überblick

South Dakota - Chancen für internationalen Handel und Investitionen im Überfluß

Bereits in den 70er Jahren des 19. Jahrhunderts zog South Dakota eine große Zahl von Deutschen an, die diesen Staat zu ihrer Heimat machten. Auch heute noch zählen zwei Verwaltungsbezirke in South Dakota zu den ersten fünf in den Vereinigten Staaten, in denen die meisten Menschen deutscher Abstammung leben. Nahezu 26 Prozent der Einwohner South Dakotas haben deutsche Vorfahren.

Nach einer Studie der American Business Information gehört South Dakota zu den 12 US-Staaten mit der größten Wachstumsrate bei Unternehmensgründungen. Dies ist u.a. auf ein sehr günstiges Investitionsklima zurückzuführen. Der Staat erhebt weder Körperschaftssteuer noch Einkommensteuer, Betriebsinventarsteuer oder Vermögenssteuer auf bewegliches Eigentum. Die Kosten für die staatliche Arbeitslosenversicherung sind die drittniedrigsten in den gesamten USA.

South Dakota entwickelte sich von einem primär landwirtschaftlich geprägten Staat zu einer immer stärker diversifizierten Wirtschaft mit Agrarindustrie, Tourismus, Produzie rendem Gewerbe und Dienstleistungen. Wachstumsraten bei Beschäftigung und Bruttosozialprodukt liegen weit über dem US-Durchschnitt. Der Finanz-, Versicherungs- und Immobilienbereich stellen den größten Anteil am staatlichen Bruttosozialprodukt, gefolgt vom Agrarsektor und anderen Dienstleistungen. Der Dienstleistungssektor erhielt insbesondere Anfang der 80er Jahre durch die Liberalisierung der South Dakotaer Bankgesetze und die daraus resultierende Ansiedlung weiterer Kreditinstitute ein neues Gewicht. □



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Unternehmensstandort North Dakota

Discover the Spirit: Doing Business in North Dakota

Kent Conrad
United States Senator
State of North Dakota

Two hundred years ago, the pioneers who set out to make North Dakota their home faced a daunting task. The wide and windswept prairies of "Dakota Territory" were beautiful and rugged, vast and lonely. Home for centuries to nomadic Indian tribes and numberless buffalo, the North Dakota plains were not easily broken to the plow.

But those early settlers were no strangers to hardship. They knew how to tame a rough landscape with hard work and perseverance. Most were Germans who accepted Catherine the Great's offer of land to those who would join her in Russia. There the Germans distinguished themselves as a hard-working and industrious people. They brought the same skills, values and determination to the virgin prairies of the New World.

Today, most North Dakotans still trace their ancestry to these German-Russian pioneers, and to the thousands of Norwegians who came to farm land that was free for the asking. While the farms and ranches of North Dakota retain the unmistakable flavor and romance of the American West, the ethnic heritage of the Germans and Scandinavians who first settled here remains strong. The work ethic they brought with them is as powerful today as it was two centuries ago.

Business Climate

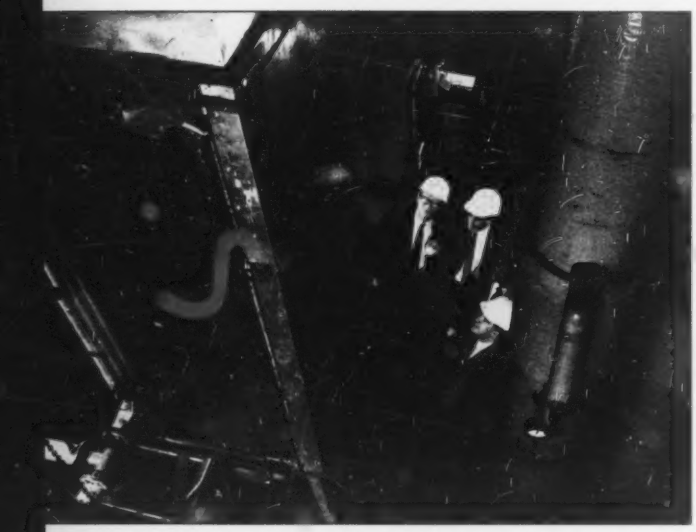
North Dakota is known for its friendly people and western hospitality, which often convince visitors to extend their stay. This congeniality characterizes not only North Dakota's tourism industry, but its warm and welcoming business climate as well.

The Grant Thornton Manufacturing Climates Study, an annual state-by-state assessment of the environment for manufacturing activity, consistently puts North Dakota at or near the top of the list. There's no doubt business people will find everything they need for success in North Dakota: a skilled and well educated work force, affordable labor and energy costs, abundant natural resources, and plenty of room to grow.

One of North Dakota's best-kept secrets is a work force that rivals any in the world.

North Dakota's state government also recognizes the importance of business and industry. The state boasts a *"citizen legislature."* Our lawmakers earn their living in private industry and business, not as professional politicians. That makes them sensitive to the laws which regulate commerce —decisions affecting business affect them. The result has been policies which favor business growth, and a business tax climate to rival any in the nation.

With Canada just across the border, North Dakota businesses already understand the benefits of international



Staff member from the University of North Dakota's Energy and Environmental Research Center briefs project sponsors on recent results of a pilot-scale fabric filtration project.

commerce. The city of Grand Forks has been designated a Foreign Trade Zone, the only such zone between Spokane, Washington and Duluth, Minnesota on the upper Great Plains. Our Economic Development Commission is geared to provide business assistance through its office of international trade. North Dakota stands ready to welcome investors from around the world.

Crossroads of the Continent

North Dakota's position at the geographical center of North America and its abundant natural resources are a potent combination for successful commerce. A natural crossroads, the state is criss-crossed by transportation systems that carry people and products to major markets and trade centers hundreds of times a day.

More than 5,000 miles of railroad connect the state to major shipping ports on the Great Lakes and in the Pacific Northwest, and to Minneapolis, Chicago and Kansas City. North Dakota was the first state to complete its section of

We're a right-to-work state and our labor costs are low.

the interstate highway system. North Dakotans make road construction and maintenance a high priority, and our interstate highways are among the safest in the land. Some 300 licensed motor carriers ship goods to and from the state on our toll-free highways and interstates.

Excellent commercial air service also connects North Dakota to national and international markets. Four major airlines hustle executives, tourists and cargo to and from North Dakota's largest cities. In addition, commuter airlines link our rural areas to the major cities, giving all North Dakotans convenient access to air travel.

Communications traffic flows with equal ease, traveling a sophisticated network of fiber optics and digital switching equipment. Every city in North Dakota can handle high-volume incoming or outgoing communications for business or telemarketing. With modern transportation and communication system, North Dakota is linked to the nation and the world.

Human Resources

One of North Dakota's best-kept secrets is a work force that rivals any in the world. Our people are honest, hard-working, well-trained, and innovative. North Dakotans appreciate their jobs and their employers, and take responsibility for the quality of their work. Whether managers or laborers, North Dakotans take pride in their work, and in their company's success.

That's why savvy developers and businessmen have come to North Dakota and made it their home. During the past decade, North Dakota's unemployment rate generally stood a full percentage point below the national average.

We're a right-to-work state and our labor costs are low. Employers pay the lowest rate in all 50 states for their workers compensation insurance system. Safe, smart, efficient workers keep premiums low. In fact, our workers are so reliable that North Dakota leads the nation with the fewest hours lost to work stoppages per year.

The people of our state are well-educated, one reason for their efficiency and productivity. North Dakota's educational system has been ranked eighth in the nation for overall quality. There are state-supported four-year

More than 70 nations have participated in courses offered by NCI, . . . to find and expand foreign and domestic markets for regional crops.

universities in nine North Dakota cities, as well as numerous vocational and adult education programs. Nearly 95 percent of the labor force completes high school; more than three-fourths of the high school graduates attend either college or a vocational technical school.

North Dakota's largest universities, the University of North Dakota at Grand Forks (UND), and North Dakota State University (NDSU) in Fargo, deliver academic programs, research, and public service of the highest quality.

The two universities work to create new knowledge through research, and each has different strengths. The University of North Dakota focuses on medical, aerospace, environmental, and coal research. North Dakota State University's research strengths are counted in the applied sciences, especially agriculture. Both universities are dedicated to educational excellence and economic development for North Dakota.

Natural Resources

The success of a business depends not only on its ability to meet the needs of the market, but to meet its own

needs. North Dakota's abundance and diversity of natural resources have made the state a reliable, low-cost supplier of the materials that fuel production.

North Dakota is sometimes called *"the Saudi Arabia of coal."* Beneath the state's hills and plains lies about two-thirds of the lignite coal in the United States. These reserves constitute one of the largest single concentrations of solid fuel in the world, and make North Dakota's energy costs among the lowest in the nation.

North Dakota stands among the top 20 states in production of both oil and natural gas. Western North Dakota is home to an estimated 35 billion tons of economically recoverable lignite coal, which is used to produce electricity and synthetic natural gas. The state exports nearly two-thirds of the electricity it produces, and has ample, low-cost supplies for businesses and homes.

Our plentiful fresh water is a source for both energy and raw materials, producing low-cost hydroelectric power and providing for agricultural and industrial needs.

North Dakota's agricultural products feed the world as they always have, but today they help feed new and exciting business ventures as well. The development of alternative uses for the abundant, renewable resources of American agriculture is a thriving endeavor here, spawning new industries in ethanol production, pharmaceutical and food processing. New industrial uses for food and fiber crops offer limitless potential for new industry in North Dakota.

Agriculture

Agriculture has always been North Dakota's top industry, and North Dakota farmers are among the most productive in the world. Agriculture contributes about $6 billion annually to our gross state product. North Dakota is consistently among the nation's leaders in the production of spring wheat, durum, barley, sunflowers, rye, potatoes, sugar beets, flax, oats, pinto beans, other edible beans, and hay.

The largest single contributor to the state's agricultural income is wheat. North Dakota's wheat has an extremely high protein content, due in part to advances in crop science by the state's agricultural research facilities.

North Dakota State University (NDSU) is home to an important regional research center, the Northern Crops Institute (NCI). More than 70 nations have participated in courses offered by NCI, a four-state cooperative designed to find and expand foreign and domestic markets for regional crops. NCI has hosted more than 80 foreign trade delegations since its inception. The institute focuses its efforts on durum and other wheat, oats, barley, rye, flax, sunflowers, sugar beets, dry edible beans, potatoes, soybeans, and corn.

NDSU Agricultural Experiment Stations also work to promote agriculture and business in North Dakota. Located throughout the state, they concentrate on crop production, soil testing, management, and range and livestock production research. The stations have developed more than 120 new crop varieties.

NDSU's newest venture is an Industrial Agriculture and Communications Center that will bring together the state's higher education system and industry. It will house the state's higher education instructional and research computer system, and provide computer and telecommunication technology to North Dakota processing industries.

Diversification

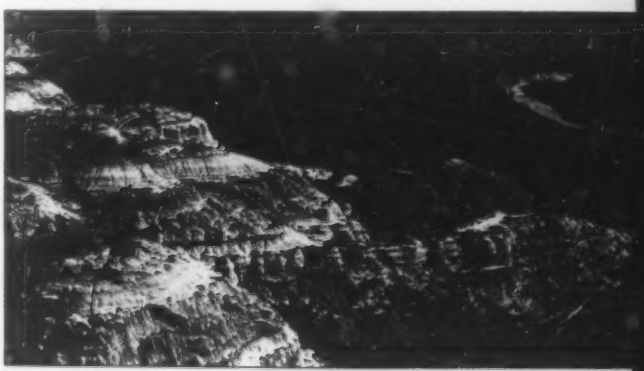
North Dakota has historically relied on farming to keep its economy strong. In recent years, the state has turned to new enterprises to help diversify its economy. The abundance of raw agricultural products grown in North Dakota has provided the means for several successful food processing ventures. Sunflower crushing plants, flour mills, potato processors, sugar refineries, barley malting plants, pasta processors, and specialty food manufacturers all contribute to North Dakota's growing food processing industry.

North Dakota's major cities are capitalizing on the state's natural geographical advantage by establishing industrial parks.

The North Dakota knack for creativity and innovation has created an enormously diverse manufacturing industry in the state. North Dakota businesses produce a wide range of manufactured goods, from living room furniture to farm equipment, from sporting goods to camouflage.

Fledgling industries in North Dakota are not left to their own devices. UND and NDSU provide a number of business assistance programs. The Center for Innovation and Business Development (CIBD) at UND, one of the first centers of its kind in the world, works with manufacturers, entrepreneurs, inventors, and researchers to help develop and nurture new business in North Dakota.

The Institute for Business and Industry Development (IBID) at NDSU is a technology transfer system which promotes economic development. IBID provides technical, engineering, business and scientific resources and technologies to new and existing businesses. The Robert Perkins Computer Center, guided by the College of Engineering and Architecture, offers computer-aided design and engineering. The Perkins Center also helps companies develop products, improve manufacturing



North Dakota's Badlands are among the state's most beautiful attractions.

operations, evaluate systems, and document engineering.

North Dakota's major cities are capitalizing on the state's natural geographical advantage by establishing industrial parks. Manufacturers can find facilities, land, and utilities at a lower cost than in most other American locations. Local communities are applying creative new twists to the industrial park concept. Grand Forks, for example, has created a supplemental industrial park targeted toward high-tech businesses — business that can use the technology developed by UND's energy and aerospace programs.

The most significant tax incentives . . . are five-year property tax and income tax exemptions

Innovation & Technology

The pioneer spirit that forged North Dakota's past is the raw material for our future. In addition to the agriculture, computer and engineering research centers at North Dakota State University, the state is also home to research efforts in the areas of medicine, aerospace, and energy.

The Center for Aerospace Science (CAS) at the University of North Dakota contributes to the success of our thriving aerospace component manufacturing industry. CAS is known worldwide for innovation and achievement in aviation education and atmospheric research. CAS attracts a steady stream of multimillion dollar research contracts, and draws students from around the world. The center has initiated a number of successful industry partnerships, including flight training, systems software engineering, computer-based instruction technology, aviation weather graphics, air traffic control simulation, and altitude chamber training.

A young Indian woman in a colorful native costume dances at a powwow of North Dakota tribes.

UND's Energy and Environmental Research Center (EERC) is one of the world's three major international research laboratories on lignite coal; the others are located in Australia and Germany. EERC embraces an integrated systems approach to energy and mineral research. The center starts with fundamental evaluation and characterization of earth resources; follows with research and development on innovative technologies to efficiently utilize those resources; and ends with the utilization and/or safe disposal of the wastes generated in natural resource consumption.

More than 130 professional full-time scientists, engineers, and technicians at EERC are dedicated to the study of lignite coal, groundwater research, waste management, air emissions control, fluidized-bed combustion, coal-water fuels, mild gasification, liquefaction, and hydrogen production. The leading low-rank coal research facility in the world, EERC serves a wide range of clients, including industry, state and federal agencies, and foreign entities.

EERC also supports a technology transfer office in Essen, West Germany to seek investors interested in coal related technology and other potential joint ventures.

North Dakotans outlive the average American by two to three years.

UND's office of technology transfer is among a handful in Germany — others are maintained by Harvard and the Massachusetts Institute of Technology.

UND will soon unveil a new institute for Earth Systems Science. Researchers will study weather and climate-related issues, including the agricultural impact of atmospheric trace gases and pollutants, global climate change, and large-scale Earth processes.

North Dakota is home to the nation's only commercial-scale coal gasification facility. The Great Plains Coal Gasification Project, which processes synthetic natural gas from lignite coal, puts North Dakota on the cutting edge of synfuels development. In addition to Great Plains, North Dakota hosts a number of electrical generation plants at mine-mouth locations around the state.

The Economy

North Dakota's economy promises a bright future for the right businesses. The state's revenue and employment base combines a healthy mix of activities in the public sector, energy, agriculture, services, manufacturing, and retail and wholesale business. Our public sector incorporates tax provisions and financing programs to promote economic development and foster business, while spending 80 percent of tax revenues on programs to directly benefit the state's citizens.

North Dakota's personal income tax is low in comparison with that of other states, and state taxes on corporate income and retail sales are modest. Our worker's compen-

sation rates are the lowest in the country. And special business assistance programs include tax incentives and tax credits for qualifying ventures.

The most significant tax incentives provided in North Dakota are five-year property tax and income tax exemptions. A new business project may be granted a partial or complete ad valorem tax exemption for up to five years on real property (except land), used in the operation of the project. Any business project which wins the property tax exemption may also be exempt from state income tax for the same period.

With these incentives, businesses do grow in North Dakota. And when financing assistance is needed, our state-owned bank steps in. The Bank of North Dakota, the only one of its kind, is an extraordinary development tool that can offer businesses alternative access to needed capital. The PACE program, a cooperative venture between the state bank and local communities, provides interest buydown loans to businesses that bring new revenue and jobs to communities. The MATCH fund, a low-interest loan program, is available to finance companies rated "A" or better that seek to expand in North Dakota.

Many local development corporations also stand ready to help new or expanding businesses. Several North Dakota cities have well-established growth funds to assist businesses locating in their communities. Those communities which do not have their own local funds can tap into state programs which provide lowinterest loans to businesses.

Quality of Life

It's no surprise that North Dakotans outlive the average American by two to three years. Our air and water are clean, our streets are safe. We don't have crime waves, crowding, smog or traffic jams. Our citizens enjoy quality education, exceptional health care services, relaxing recreational opportunities and breathtaking scenery. North Dakota's health insurance rates are among the lowest in the nation, and our people breathe the cleanest air in the country, according to a 1990 study.

These qualities earned Fargo, our largest city, a rating as America's least stressful place to live. And the same Grant Thornton study that ranked North Dakota first for our manufacturing environment also ranked the quality of our health care second in the nation.

North Dakotans enjoy the beauty of four full seasons, and year-round recreational opportunities. Hunt in the lovely Turtle Mountains. Fish, sail, and water ski on Lake Sakakawea, one of the world's biggest manmade reservoirs. Lose yourself in the rugged beauty of the Badlands, a national park where Teddy Roosevelt once hunted bighorn sheep and antelope. Soak in the silence on the bluffs above the winding Missouri River. Set your watch by a clock made of flowers in the International Peace Garden on the Canadian border. Camp, ski, skate, golf, cycle, canoe, hike, or ride a horse anywhere across North Dakota's wide prairies and rivers, fields and hills.

If you're a history buff, catch Bonanzaville, USA in West Fargo, where a fully restored pioneer village takes you back to frontier days. Tour General George Armstrong Custer's house at Fort Abraham Lincoln near Mandan, Custer's last command before the Battle of Little Big Horn. Puzzle out the Indian pictographs at Writing Rock near Grenora. View the remains of Hidatsa villages at the Knife River Indian Villages National Historic Site.

Let us entertain you with bucking broncs and wild bulls on the rodeo circuit, or a demolition derby with farm combines at the state fair. Stomp your feet to a wild west musical show at the outdoor amphitheater in Medora, a restored 1800s cattle town. Admire traditional Native American dances at the United Tribes Powwow. Or come indoors, and enjoy symphonies, operas, theater companies, art galleries and museums in cities all across North Dakota.

In North Dakota, you'll feel like someone special. Where old-fashioned values shape modern commerce, where pristine prairies surround bustling cities and flourishing businesses, and where friendly people wait to welcome you to a breathtaking landscape. Come visit North Dakota. Our wide open spaces have a place for you. □

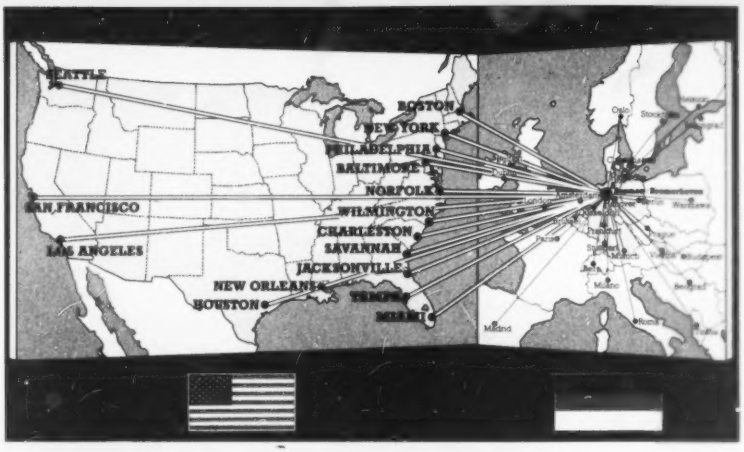
Überblick

Unternehmensstandort North Dakota

North Dakotas Lage im Zentrum des nordamerikanischen Kontinents und sein Reichtum an natürlichen Ressourcen sind Eckpfeiler der Wirtschaft des Staates. Ein Schienennetz von mehr als 5.000 Meilen verbindet North Dakota mit wichtigen Häfen an den Großen Seen und an der Pazifikküste im Nordwesten der USA sowie mit Großstädten in umliegenden US-Bundesstaaten. Reichhaltige Vorkommen von Bodenschätzen - unter North Dakotas Erde liegen zwei Drittel der gesamten Braunkohlevorkommen in den USA, eines der größten Felder von festen Brennstoffen in der Welt - garantieren eine verläßliche und kostengünstige Versorgung der verarbeitenden Industrie mit Rohstoffen. Andere natürliche Ressourcen sind Öl, Erdgas und Wasser, das sowohl bei der Betreibung von Kraftwerken als auch in Landwirtschaft und Industrie eingesetzt wird.

Wichtigster Wirtschaftszweig North Dakotas ist auch heute noch der Agrarsektor, der jährlich 6 Milliarden US-Dollar des Bruttosozialprodukts des Staates erwirtschaftet. Die zwei größten Universitäten, die University of North Dakota in Grand Forks und die North Dakota State University in Fargo, tragen durch Forschung und Lehre im Bereich der Medizin, Raumfahrt, Energie und Umwelt sowie der Agrarwissenschaft entscheidend zur akademischen und wirtschaftlichen Entwicklung des Staates bei.

North Dakotas Wirtschaft hält für die richtigen Unternehmen - nicht zuletzt dank eines günstigen Steuersystems - eine vielversprechende Zukunft bereit. □



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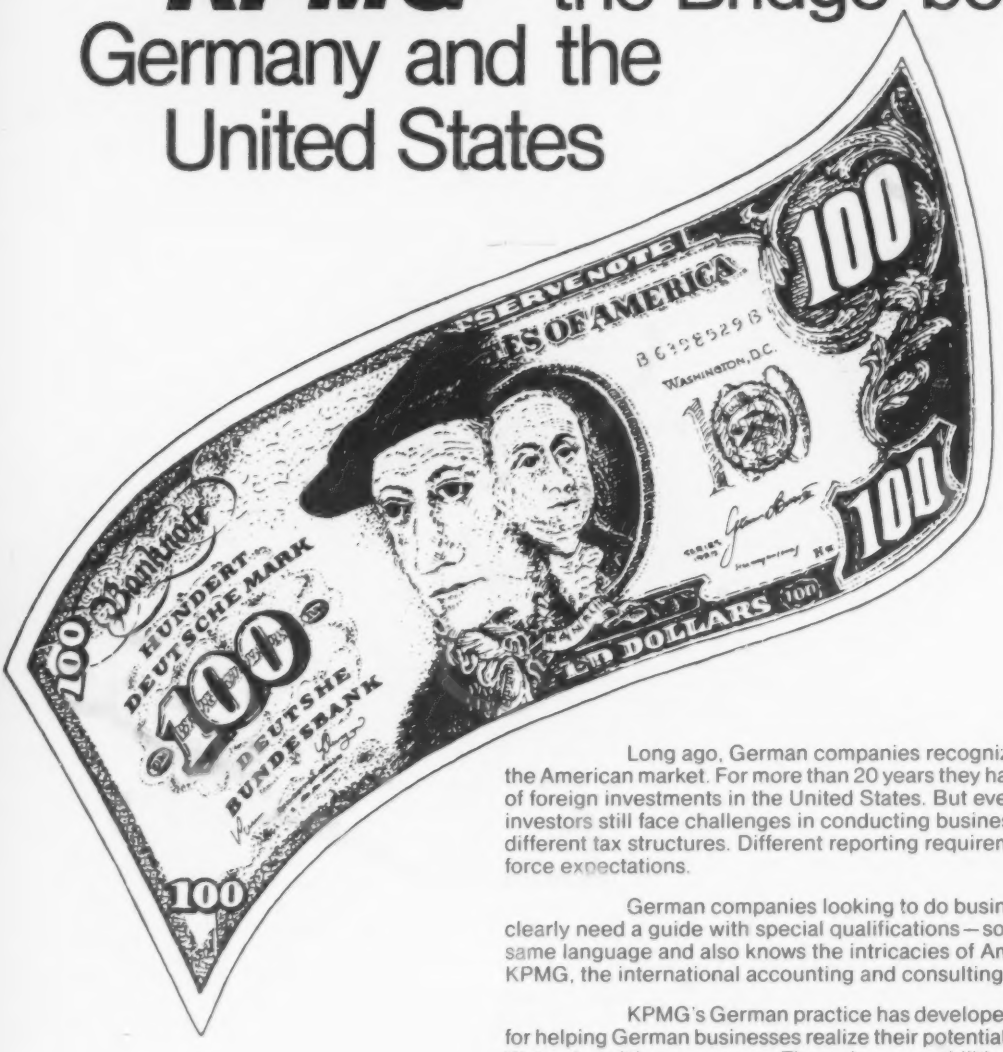
KPMG – the Bridge between Germany and the United States



Long ago, German companies recognized the vast potential of the American market. For more than 20 years they have been at the vanguard of foreign investments in the United States. But even the most seasoned investors still face challenges in conducting business here. There are different tax structures. Different reporting requirements. Different work force expectations.

German companies looking to do business in the United States clearly need a guide with special qualifications – someone who speaks the same language and also knows the intricacies of American commerce. KPMG, the international accounting and consulting firm, is that guide.

KPMG's German practice has developed an enviable reputation for helping German businesses realize their potential in the American market. We've done it in many ways – Through our capabilities in accounting, auditing, and tax planning. Through our innovations in information technology. Through our extensive management consulting practice. It all adds up to one essential element: quality service. We deliver it not only in the United States but in every one of our 800 offices worldwide, not to mention now also in the eastern part of Germany.

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PROFILES

AEG

AEG Aktiengesellschaft is a worldwide operating company within the integrated Daimler-Benz technology group. In the course of its over one-hundred year history, AEG has developed from being a manufacturer of electric light bulbs to a broadly diversified supplier of modern technology.

Today AEG's activities are divided into six business units: Automation, Rail Systems, Office and Communication Systems, Electrotechnical Systems and Components, Domestic Appliances and Microelectronics.

AEG holds major shares and leading technological positions, in the market for automation. The company supplies not only components, but also complete sets of turnkey equipment for production and process automation in the basic industries, the mineral-oil industry, the automobile industry and other industrial sectors. Additionally, AEG automation systems are used in environmental protection.

Another central growth unit at AEG is microelectronics, in which the company offers components and subassemblies for industrial and consumer electronics, automotive electronics, telecommunications and data processing.

AEG also sees good chances for rail systems. As a result of the general growth in the volume of traffic, considerably increased investments will be required in railway engineering and rapid transit systems. AEG's subsidiary, AEG Westinghouse Transport-Systeme in Berlin, is a leading manufacturer of railway coaches and trains for local and long-distance traffic.

Although the Automation, Microelectronics and Rail Systems business units have significantly increased their share in the total business volume, AEG will continue to invest in mature markets, in order to secure its position there. This applies to domestic appliances and electrical power tools, as well as to personal computers, office systems, mobile communication equipment, switching systems for power distribution and electrical devices for a variety of applications in industry, transportation and communication.

With around 78,000 employees worldwide, AEG's annual sales in 1989 amounted to DM 12.2 billion. Thanks to acquisitions and joint ventures in the last few years, AEG has considerably strengthened its presence outside of Europe by pursuing a strategy of global expansion in markets with substantial growth potential. At present, AEG has subsidiaries and affiliate companies, representative offices and foreign agencies in 111 countries around the world. □

AMK Berlin

AMK BERLIN Ausstellungs-Messe-Kongress GmbH is a service company based in Berlin. It organises and stages national and international trade fairs, exhibitions and congresses, as well as sporting events, popular entertainment and cultural events. These are of particular significance for the city's tourism and its infrastructure, providing Berlin with a considerable influx of additional purchasing power.

The activities of AMK Berlin help to promote contacts in business and science and to focus international attention on the city. Trade fairs and exhibitions are an important aspect of Berlin's role as a centre for development aid. Sporting events and popular entertainment add to the range of leisure activities in the city.

Structure and Organisation

AMK Berlin operates the following facilities on behalf of the Land Berlin:

- Exhibition Grounds and Funkturm (Radio Tower)
- International Congress Center Berlin (ICC Berlin)
- Deutschlandhalle auditorium
- Eissporthalle ice rink and auditorium
- Film Fair Center

AMK Berlin's three Central Divisions have company-wide responsibility for Finance, Personnel and Engineering. Three Corporate Divisions cooperate with outside organisations, business associations, scientific and technical facilities, international organisations and other institutions in three areas: *Trade Fairs and Exhibitions*, *Congresses* and *Sport and Entertainment*.

AMK Berlin maintains a network of representatives in 41 countries on all five continents, supplying international business partners with information and assisting them in establishing and maintaining contacts.

AMK Berlin Gastronomie (AGG), under the management of Kempinski Congress GmbH, is a subsidiary that offers a wide range of catering services for the various events.

iba '92 Berlin—15th International Bakery Trade Fair Berlin, May 9 to 17, 1992—is the world's largest bakery trade fair. The *iba '92 Berlin* takes place in the heart of Europe when there is a need for major investment, machinery and manufacturing licenses in the countries of Eastern Europe and when Europe is on the threshold of the Single European Market.

Highlights from the Programme of Events

Berlin is the venue for a number of leading international trade fairs, exhibitions and congresses. The main events are:

- International Green Week Berlin (agricultural show and food exhibition)
- International Tourism Exchange ITB Berlin (world's trade fair for the tourism sector)
- International Audio and Video Fair Berlin (world fair for communication and consumer electronics)
- Import Fair Partners for Progress (for exhibitors from East and Central Europe and overseas, for the European import trade)
- IFW—International Fair Water Supply (in conjunction with WASSER Berlin's show Water is Life, a four-yearly meeting of the world's water experts)
- ShowTech Berlin (entertainment technology, stage engineering, equipment and organisation)
- AAA-Motor Show Berlin
- bautec Berlin (a technical event, open to

the public, focusing on urban renewal, renovation and maintenance of buildings)
- allerHand—Kulinaria & Handwerk Berlin
- InduTech Berlin (for the investment goods market)
- buero-data Berlin (for the office industry)

Moreover, since 1982 AMK Berlin has been the executive company responsible for official participation by the Federal Republic of Germany in trade fairs around the world, involving the planning and organisation of joint displays by German companies at numerous venues abroad—some 30 such projects annually.

Best-Ever Position for Conventions

Berlin (West) dominates the West German convention market with approximately 3[illegible]7% of all the international congresses held in the Federal Republic of Germany. The FRG, according to the world record keeper, the Union of International Associations (UIA), Brussels, ranks fourth in the world with 505 international congresses, behind the USA (973), France (734) and the United Kingdom (700).

A decisive factor in Berlin's success in attracting conferences and meetings has been the International Congress Center Berlin (ICC Berlin), which was operating at 83.1% of capacity last year. During its eleven years, it has played host to more than 5,000 conventions with well over two million participants in the 80 halls and rooms. 765,000 of the experts attending these events came from outside Berlin.

Sport and Entertainment in Berlin

The *Sport and Entertainment Division* handles events in the Deutschlandhalle and Eissporthalle, and entertainment in the ICC Berlin, such as:
- International Show Jumping Tournament CHI and Cycle Race
- Menschen-Tiere-Sensationen (circus spectacular)

Berlin has a long history of involvement in trade fairs and congresses. Recent events have had far-reaching political and economic implications. As an international service company in the centre of Europe, AMK Berlin is committed to serving the best interests of the city. The Federal Republic continues to be a world leader in trade fairs, and AMK Berlin has made a major contribution. Today Berlin is one of the world's leading international venues for trade fairs and congresses. □

ARTHUR ANDERSEN &CO

The ARTHUR ANDERSEN WORLDWIDE ORGANIZATION is one of the largest international financial-services organizations, providing a full range of professional services in accounting and auditing, tax compliance and planning, and management information consulting through 299 offices, including representatives in twelve principal cities throughout Germany.

Since its founding in 1913, Arthur Andersen's guiding principle has been the assurance that all partners have a similar interest in serving the firm's clients everywhere in the world. In keeping with this tradition, the firm created in 1978 a Societe Cooperative in Geneva, Switzerland to coordinate worldwide services. This Societe Cooperative, which is controlled by all partners in the national practice entities throughout the world, facilitates consistently high-quality client service.

Accounting and Audit—Arthur Andersen has always taken a business approach to its audit assignments and accounting services. All professional personnel are first trained to develop an understanding of the client's business and operating objectives. Recommendations regarding management systems are developed within this framework. Using this business approach, the organization renders specialized assistance in the accounting and financial aspects of seeking and evaluating potential acquisitions, locating plants and other facilities, and other contractual relationships.

Tax Services—Arthur Andersen's tax practice is supported by the world's largest nongovernmental body of full-time tax professionals. Tax personnel in each office are totally familiar with local tax matters as well as important concepts of international tax planning and the intricacies of international tax treaties. Through communications networks and worldwide research capabilities, the firm offers fully integrated tax advice on such matters as organization structure, crossborder trading, trans-national acquisitions and mergers. The tax practice also assists expatriates in their individual tax planning and compliance.

Andersen Consulting—For more than 35 years Andersen Consulting has helped clients meet their business information needs. The practice has grown into the largest international consulting organization of its kind, with 18,000 professionals in 45 countries. Andersen Consulting professionals plan, design, and install information systems and conduct analytical studies that assist information executives with their financial, marketing, information processing and other operations. □

Audi

VOLKSWAGEN OF AMERICA, INC., is the U.S.A.'s leading European automotive importer, marketing a full line of VWs and Audis manufactured at company plants in West Germany, Mexico and Brazil.

A wholly-owned subsidiary of West German automaker Volkswagen AG, VWoA is the umbrella organization for two car divisions—Volkswagen United States and Audi of America,—a parts division, a finance subsidiary, a real estate division, and a dealer computer services division.

VW and Audi products are known for their technical sophistication and for providing pleasurable driving performance in the best German tradition. VW has been importing cars to the United States since 1949, and Audi since 1969.

Its parent company, Volkswagen AG, is the world's fourth-largest carmaker, producing nearly 3 million vehicles in 1989, when it was Europe's sales leader for a fifth consecutive year. In addition to VW and Audi, the VW Group includes Europe's fastest-growing auto manufacturer—the Spanish automaker SEAT. Since joining the Group in 1985, SEAT's production has doubled to more than 500,000 units annually. In 1989, the VW Group recorded the highest sales and earnings figures in its 50-year history.

Founded in 1955, VWoA was the first foreign manufacturer to establish automotive assembly operations in the United States. The company has sold more than 9.6 million vehicles in the U.S., producing more than 1 million of them at its former plant in Westmoreland, Penn.

Headquartered in Troy, Mich, VWoA markets its products through a national network of about 1,000 VW and Audi dealers. About 900 of the company 1,900 U.S. employees are located in Michigan.

Its VW and Audi car divisions have regional offices in Lanham, Md.; Lincolnshire, Ill; Boston, Mass.; Pleasanton, Calif.; Atlanta, Ga.; San Antonio, Tex.; and Westlake Village, Calif.

Parts distribution centers are located in Wilmington, Mass.; Carrollton, Tex.; Jacksonville, Fla.; Lanham, Md.; Lincolnshire,

Ill.; Westlake Village, Calif.; and Hillsboro, Ore.

Port facilities are located at Davisville, R.I.; Wilmington, Del.; Brunswick, Ga.; Houston, Tex.; Terminal Island, Calif.; Richmond, Calif.; and Vancouver, Wash. □

BASF

BASF CORPORATION is one of the ten largest chemical companies in North America. With over $5 billion in sales, it accounts for about 20 % of the BASF Group's worldwide business.

BASF has been serving the North American market for more than a century. Initially, the company built its business on imports from Germany. Today, 90 percent of its sales on this continent consist of products "Made in North America".

The company began to transfer its technology in the mid-50's. As a first major step, it joined the Dow Chemical Company in the manufacture of fiber intermediates. Ultimately, the joint venture expanded into man-made fibers.

In 1969, the chemical production base in North America was broadened with the acquisition of Wyandotte Chemicals Corporation. This was followed by the purchase of Dow's share of Dow Badische, Chemetron (pigments), GAF's dyestuff operations in Rensselaer, New York, and Fritzsche Dodge & Olcott. Concurrently, BASF capitalized on its know-how in building numerous plants in the United States.

In 1985, the company reinforced its position on the leading edge of chemical technology with the purchase of Celanese's advanced composite materials business. In addition, it strengthened its presence in coatings and printing inks with the acquisition of Inmont. With the purchase of American Enka, BASF became a major fiber manufacturer in North America .

As BASF continued to grow on this continent, the company's businesses evolved into 12 different, variously-named, corporate entities with 21,000 employees at many sites, including 70 major production and administrative bases.

To integrate and consolidate these operations, BASF moved at the close of 1985 to put its organization in North America under one umbrella, known as BASF Corporation. The Corporation today includes all BASF operations in North America as well as Wintershall's U.S. oil and gas exploration and production, and an indirectly held interest in a potash mine in New Brunswick, Canada.

As a result of a restructuring, BASF Corporation operating responsibilities for North America have been distributed among five executive vice presidents who are also managing directors of the BASF Group.

The five new divisions, which have been established to best serve their markets, include Chemicals, Coatings & Colorants, Consumer Products & Life Science, Fibers, and Polymers.

The Chemicals Division produces and sells, in general, commodity and specialty chemicals to other manufacturers. The Division's business areas cover chemical intermediates, industrial organics, basic raw materials and fiber raw materials.

The Coatings and Colorants Division serves a range of markets from automotive and container coatings to graphic systems, as well as industries that use color, such as paper and textiles.

The Consumer Products & Life Science Division markets BASF's agricultural

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chemicals, audio and videotapes, antifreeze, animal nutrition and human health products, plus pharmaceuticals.

The Fibers Division provides textile and carpet fibers as well as industrial fibers to a wide range of end use markets. Within this division are dispersions and textile chemicals which complement these markets and a host of others.

The Polymers Division, comprised of urethanes, plastic materials and foams, and structural materials, serves such industries as automotive, packaging, aerospace, construction, housing and appliances. □

BDO SEIDMAN

BDO is a leading international accounting organization offering clients professional auditing, taxation, and financial and management advisory services, nationally and abroad.

BDO is one of the oldest European-based international accounting firms. It has more than 430 offices in 61 countries and over 16,000 partners and staff. BDO was founded as a European partnership which was organized, and has grown, in response to the harmonization of trade regulations directed by the European Community.

Our German partner firm, BDO Deutsche Warentreuhand-Aktiengesellschaft (DWT), is among the largest firms in Germany, with offices in Berlin, Bonn, Bremen, Cologne, Düsseldorf, Essen, Flensburg, Frankfurt/Main, Freiburg, Hamburg, Hannover, Kiel, Löbeck, Munich, Stuttgart and Wiesbaden.

BDO was the first major accounting firm to open offices in the former German Democratic Republic. Its 6 offices, located in Berlin, Dresden, Leipzig, Erfurt, Magdeburg and Rostock, represent one of the most comprehensive networks of accounting firms in eastern Germany.

In the United States, German clients are served by BDO SEIDMAN, founded in 1910, now with offices in 43 cities. At BDO Seidman, work for German clients is handled by resident Wirtschaftpruefer and Steuerberater. BDO is presently serving a substantial number of U.S. subsidiaries of German parent companies. Bilingual professionals are fully informed about complex and changing American accounting and tax regulations, and thoroughly familiar with German auditing, accounting and reporting requirements. They have expertise in all major industrial and financial fields.

Along with expertise on the technical aspects of finance and taxation, we understand the environmental, economic, marketing and cultural differences between the U.S. and Germany. This knowledge enables us to assist our German clients with mergers, acquisitions and start-ups in the U.S.

BDO Seidman's international services group is headed by Paul E. Neubelt, partner, and is headquartered in New York.

The key to our services is the quality of our professionals, who combine international scope and experience with a thorough knowledge of local accounting and business. Close working relationships between our U.S. and German partners guarantees prompt, attentive, personalized service on both sides of the Atlantic. Our partners are highly regarded in the business community. They can provide the invaluable link to business, financial and legal contacts in the U.S. They have successfully helped many multinational corporations establish new enterprises in the U.S. and provide start-up, international tax structuring, advice and compliance with new consolidation requirements in Germany and Europe. They also assist German companies seeking to have their shares listed on one of the U.S. stock exchanges using American Depository Receipts.

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BHF-BANK

While the story of BHF-BANK dates back to the middle of the last century, its present status results from a merger between Berliner Handels-Gesellschaft and Frankfurter Bank in 1970. As a limited company the Bank is owned by approximately 20,000 shareholders and is directed by its personally liable managing partners. It is a merchant and commercial bank and issuing house, is involved in portfolio management and securities business, and has been active in international finance for more than a hundred years. The Bank with total assets of more than 35 billion DM and own resources of 1.5 billion DM, thus combines the advantages of a company that has access to the capital market, with all the flexibility of a private bank.

Headquartered in Frankfurt, Germany's financial center, BHF-Bank serves a broad and diversified clientele: industrial companies, multinational corporations, government agencies, public entities, international organizations, and institutional investors as well as private customers.

Through its foreign branches and subsidiaries in New York and Grand Cayman, as well as in London, Luxembourg, Singapore, Tokyo and Zurich and its representative offices in New York, Los Angeles and in further major financial centers all over the world, BHF-BANK is well positioned to provide its clients with individually packaged financing wherever the need arises.

International M & A business is carried out by the expert staff of Frankfurt Consult GmbH and their counterparts in New York, London and Tokyo. □

BMW

When BMW OF NORTH AMERICA, INC. was established in the United States, in March, 1975, the company faced the challenge of building a reputation in the U.S. for a very special type of automobile. The product was little known in this country except within a very select group of knowledgeable car enthusiasts who appreciated and understood the engineering refinements found in a BMW. Recognizing that it had to increase its penetration in the American market if it was to prosper here, BMW of North America's mission was clear: capture the attention of the larger group of consumers who the company was confident would appreciate the way BMW blended German tradition and technical innovation into an active, comfortable and safe driving experience.

The sales record of BMW in the United States shows that the goal was accomplished in dramatic fashion. Between 1974 and 1986,

the company's sales increased six-fold: from 15,007 in 1974 to 96,759 in 1986.

While the sales level may not be statistically significant in the multi-million unit U.S. automotive market, BMW's product philosophy and growth rate have enabled it to capture what one automotive journalist characterized as a share of mind that is totally out of proportion with its share of market.

During a period of recession, gas crises, currency shifts and a restructuring of the automotive industry, BMW emerged as a leader in the most dynamic part of the American market, the luxury/performance segment.

BMW of North America's marketing strategy since 1975 has focused on elements which are most important to consumers in this market. In January, 1990 the company introduced three new models: the V 12-powered 850i coupe; the M5, a hand-built sports sedan from BMW's competition subsidiary, BMW Motorsport; and the 318is, the new entry-level sports sedan, powered by a 4-cylinder, 16-valve engine. BMW of North America currently offers 15 models of automobiles in the United States, priced between $21,500 for the 318is sports sedan to $73,600 for the 850i. Each of the BMW models is strategically positioned throughout all segments of the over-$20,000 luxury/performance market.

The company also imports 8 models of motorcycles, ranging in price from $6,490 to $12,990.

In the United States, BMW of North America has recently completed a 5-year $135 million facility investment program that includes four regional office facilities with expanded technical training capacities, parts distribution centers in Mt. Olive, New Jersey; and Ontario, California; and a new headquarters complex in northern New Jersey. In addition, BMW has opened new vehicle preparation centers in the port of Houston, Texas; Brunswick, Georgia; Oxnard, California; and Jersey City, New Jersey.

BMW of North America opened a new headquarters complex in Woodcliff Lake, New Jersey, approximately 30 miles from New York City in October, 1988. Regional offices are located in the Atlanta, Chicago, Los Angeles and New York metropolitan areas.

Karl Gerlinger is president and chief executive officer of BMW of North America, Inc. □

Baden-Württemberg

BADEN-WÜRTTEMBERG with its capital Stuttgart is Germany's third largest state (9.7 million inhabitants, area of 36,000 sq. km.), comparable in size and population to Belgium. The state has a balanced economic structure and is the leading economic force in Germany. Although home to world renowned corporations such as Bosch, Mercedes-Benz, Porsche and Zeiss, as well as the German headquarters for international companies such as IBM, Hewlett-Packard and Sony, Baden-Württemberg's industrial structure is characterized by a wide range of small and medium-sized, specialized and prosperous enterprises. The United States is Baden-Württemberg's most important export market.

A look at the map shows that Baden-Württemberg is centrally located in Europe and combines all the advantages of the EC Single Market, the united Germany and the new East European markets. A market potential of 200 million people can be reached easily.

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National borders will continually lose their significance as the European unified market is realized. Thus, economic activities will concentrate on those areas where conditions are most favorable.

The particular strengths of Baden-Württemberg's export-oriented companies are based on quality workmanship and meeting delivery dates. The export rate is the highest in Germany and most companies traditionally maintain excellent international trade relations.

Baden-Württemberg has the highest concentration of research facilities in Europe: 9 universities, 23 polytechnical institutes, 3 large-scale research facilities, 11 Max-Planck Institutes, 13 institutes of the Fraunhofer Gesellschaft, 9 institutes for joint industrial research and 82 centers for technological transfer as part of the Steinbeis Foundation.

Baden-Württemberg offers an outstanding quality of life. More sunshine hours than anywhere else in Germany, the beauty of the Black Forest, the vicinity of the Alps, Lake Constance and romantic cities like Heidelberg and Tuebingen create an atmosphere that makes it a pleasure to live and work in our state.

For further information please contact:
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Baden-Württemberg Agency for International Economic Cooperation
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D-7000 Stuttgart 10
Germany
Phone: 07 11/ 2 27 87-0
Fax: 07 11/ 2 27 87-22 □

Bayer USA

BAYER USA is the U.S. management holding company of Bayer AG, Germany, one of the world's largest and most diversified international companies.

Bayer USA is comprised of eight operating companies with businesses in chemicals, healthcare and imaging technologies. Together, the Bayer USA companies employ nearly 30,000 people in the U.S. and overseas and had 1989 sales of $5.4 billion, or more than 20 percent of Bayer's sales worldwide.

Bayer USA companies include:

Mobay Corporation, Pittsburgh, PA, Bayer USA's chemical company, is the nation's largest and most diversified manufacturer of polyurethane raw materials and polymers and has expanded vigorously into other select chemical markets: coatings, plastics and rubber, dyestuffs, pigments and organics, inorganic chemicals, agricultural chemicals, and animal health products.

Miles Inc., Elkhart, IN, Bayer USA's healthcare company, is perhaps best known by consumers for its popular Alka-Seltzer, One-A-Day vitamins and S.O.S. brands. Miles is a leader in researching, developing, manufacturing and marketing prescription pharmaceuticals, medical diagnostic test systems, consumer healthcare products and consumer household products.

Agfa Corporation, Ridgefield Park, NJ, Bayer USA's imaging technologies company, manufactures and markets photographic and cine films, papers, chemicals and processing equipment; electronic and photographic prepress systems; and diagnostic imaging and business information systems.

Deerfield Urethane, Inc., South Deerfield, MA, is an internationally recognized leader in thermoplastic polyurethane film. Deerfield produces the industry's widest selection of polyurethane film grades, thicknesses, widths, roll sizes and colors used for inflatable objects, medical products, coated fabrics, protective coverings and security glass.

Haarmann & Reimer Corporation, Springfield, NJ, is the U.S. affiliate of Haarmann & Reimer GmbH, Germany, one of the world's leading international flavor and fragrance businesses. Haarmann & Reimer manufactures and sells acidulants, flavors, fragrances and aroma chemicals used in foods, perfumery, cosmetics and other consumer products.

Hermann C. Starck, Inc., New York, NY, is the U.S. marketing company of Hermann C. Starck Berlin, a Bayer subsidiary in Germany and a major producer of refractory metals such as tungsten, molybdenum, tantalum, niobium and rhenium, and related compounds, as well as advanced ceramics.

NRC Inc., Newton, MA, is one of the world's leading manufacturers of capacitor-grade tantalum powder, as well as tantalum and niobium mill products. NRC's powder and metallurgical products are supplied to the electronics, chemical processing, aerospace and nuclear industries.

Rhein Chemie Corporation, Trenton, NJ, (formerly Wyrough & Loser) is one of the world's leading formulators and marketers of predispersed chemicals in the rubber industry. Rhein Chemie also offers processing promoters to the rubber industry, anti-hydrolysis agents and chemicals to the polyurethane industry and a variety of additives and antioxidants for the mineral oil additives market. □

HYPO BANK
BAYERISCHE HYPOTHEKEN UND WECHSEL-BANK AKTIENGESELLSCHAFT

In 1835, HYPO-BANK was established in Munich by royal decree of King Ludwig I of Bavaria. HYPO-BANK is Germany's oldest publicly-quoted bank and one of the largest with consolidated assets of more than DM 153 billion.

HYPO-BANK is engaged in both commercial and mortgage banking, operates the largest branch network in southern Germany and is also active nationwide in key business centers such as Berlin, Duesseldorf, Frankfurt, Hamburg, Hanover, and Stuttgart. The bank is a prime address for correspondent banking.

Its New York Branch offers a complete range of corporate banking services including prime and Libor-based loans, foreign exchange, money transfers, letters of credit and documentary collections as well as international private banking. Through other branches in Cayman Islands, Hong Kong, and London, its wholly-owned subsidiary in Luxembourg, representative offices in Moscow, Italy, South Africa, and Spain, and its partnership in ABECOR, HYPO-BANK offers financial services around the globe. Through its affiliation with ABD Securities, New York, its customers have direct access to the U.S. securities markets, brokerage and investment management.

For more information and a copy of our annual report, please contact the Banking Department, Financial Square, 32 Old Slip, New York, N.Y. 10005, Tel.: (212) 248-0650 or the International Department, A/PSK, Theatinerstrasse 11, D-8000 Munich 2, Tel.: (089) 2366-8323, Telex: 52865-0 □

Bayerische Landesbank

BAYERISCHE LANDESBANK's origins date back to the late nineteenth century, and the Bank has grown into one of the leading banking institutions in the Federal Republic of Germany. Headquartered in Munich, Bayerische Landesbank operates branch offices in New York, London, Paris, Singapore and a subsidiary in Luxembourg, as well as Representative Offices in Tokyo, Vienna, Toronto and Johannesburg. In addition, a Grand Cayman Branch as well as an International Banking Facility (IBF)—operating

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out of New York—supply offshore banking services.

Bayerische Landesbank, a public-sector financial institution, is 50% owned by the State of Bavaria and 50% by the Bavarian Savings Banks Association. The Association is owned by the savings banks, which in turn are owned by their municipalities. By statute, Bayerische Landesbank's obligations are jointly and severally guaranteed by its owners.

Bayerische Landesbank's consolidated total assets now exceed DM 160 billion. The Bank has been accorded the highest short and long-term ratings from both major U.S. agencies (Moody's P-1, Aaa; Standard & Poor's A-1+, AAA).

The Bank offers a wide range of financial services on a global basis. In Germany, it is one of the largest issuers of securities as well as a major corporate lender. Its primary strengths include a substantial DM deposit base and long-term, fixed rate DM loan capabilities.

Since establishing its Representative Office in New York in October 1979, and gaining full branch status two years later, in October 1981, Bayerische Landesbank has become a major wholesale lending participant throughout the country.

The New York Branch offers a full range of domestic and international financial services, including loans, foreign exchange and money market expertise, as well as documentary and collection capabilities.

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BECKER
AUTORADIO

Becker Autoradio is known worldwide for its quality radios, which are factory-installed in the leading makes of German automobiles and also sold through authorized dealers.

BECKER OF NORTH AMERICA, INC., operates the nationwide service network that maintains Becker automobile radios and also imports and distributes them to aftermarket retailers. Becker of North America, Inc., also imports, distributes and services Becker avionic equipment, including communications and navigation equipment as well as emergency transmitters and receivers.

Becker products are manufactured in several locations in West Germany. The company's worldwide headquarters, research and development offices and main manufacturing plant are located in Ittersbach, West Germany.

The company was founded in 1945 when Max Egon Becker, a radio enthusiast, opened a small radio sales, repair and audio research business in two rooms of a 300-year-old house in Pforzheim, West Germany.

By 1948, with the aid of a small staff, Becker produced a limited number of automobile radios. The following year, the first Becker Autoradio was installed in a Mercedes-Benz. Since that time, Becker has remained the radio of choice for Mercedes-Benz.

In the next decade, the company grew in size and its radios continually outperformed other radios in numerous competitions. In 1953, Becker introduced the company's first AM-FM car radio with a signal-seeking circuit. This proved to be a breakthrough which permitted single control, automatic selection

of stations on both AM and FM bands and greatly simplified operation.

In 1956, the company entered the sophisticated avionics field and its first product, the communication set "AR 24", was an instant technical and commercial success.

By 1960, with the number of Becker radios on American roads growing so rapidly, the company decided to set up a United States facility in Pasadena, California.

In 1982, the company moved to its present quarters in Upper Saddle River, New Jersey, allowing Becker of North America, Inc. to provide increased service and to maintain a large inventory of radios and parts to keep pace with the increasing demand on this continent. □

BEHR
AMERICA

BEHR GMBH & CO. is the largest independent manufacturer of automotive climate control and engine cooling equipment in Europe. The Behr-Group is headquartered in Stuttgart, Germany with annual sales exceeding DM 1.3 billion per year, and produces over six million radiators, air conditioners and heaters annually. Affiliated companies and subsidiaries of the Behr-Group are located in Germany, Brazil, France, India, Italy, Spain and the United States. The Behr-Group employs more than 8,000 people worldwide, and produces equipment that is installed by most European car and truck manufacturers.

BEHR OF AMERICA, INC. (BoA), founded in 1969 as a subsidiary of the parent company, is headquartered and operates a manufacturing facility in Fort Worth, Texas where air conditioning systems and components are produced for the passenger car, heavy duty truck, and agricultural and construction equipment industries.

Behr of America air conditioning systems and subassemblies are delivered to vehicle manufacturer assembly plants in North America and Europe. BoA will also provide for installation at port of entry, or vehicle preparation centers.

Behr of America's Engineering Department is capable of assuming full heater and air conditioning system responsibility as well as the capability to design specific components for the vehicle manufacturer. Behr of America personnel have broad application experience both in the United States and overseas markets and are fully supported by the research and development departments of the parent company in Germany.

In 1990, Behr of America opened its new Engineering and Technical Center adjacent to their headquarters and manufacturing facility. The new center encompasses 10,500 square feet and houses all engineering staff for product development and testing. The facility includes an environmental wind tunnel capable of accommodating a class 8 truck and is climate controlled to provide for vehicle testing under a variety of simulated environmental conditions. Included are temperature ranges from -20° F to 125° F and wind velocities from 7 to 65 MPH.

The Behr of America manufacturing facility for all-aluminum heat exchangers applies the latest technology available today. Ultrasonic cleaning and fluxless brazing processes prevent corrosive residues thus assuring longer life of the entire system.

Current customers of Behr of America include BMW, J.I. Case, Freightliner, Komatsu/Dresser, Iveco, Mack Trucks, Pininfarina and Volvo GM for original equipment applications and among others Mercedes Benz of North America, Mercedes-Benz Truck Company and BMW of North America for replacement parts. □

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Bertelsmann

BERTELSMANN AG, founded in 1835 as a printing and publishing house in Germany, is now a leading global communications concern with activities in more than 30 countries. Its 200 operating units are managed autonomously under the company's philosophy of decentralization.

Bertelsmann's development into a major worldwide book and magazine publisher, book club operator, printer and music company has occurred since 1947, under the direction of Reinhard Mohn, now Chairman of the Supervisory Board, and more recently under that of Mark Woessner, President and CEO. The company consists of seven independent divisions that employ about 44,000 persons. Of the $8+ billion in worldwide revenues, about one-third are generated in the United States by the following groups of Bertelsmann companies:

- **Bertelsmann Music Group**—headquartered in New York City and operating in 30 countries, BMG consists of famous record labels such as RCA, Arista, Ariola and of a music club with almost four million members.
- **Bantam Doubleday Dell Publishing Group**—comprised of three independent houses which taken together form one of the largest English language general book publisher in the world.
- **Doubleday Book & Music Clubs**—eight clubs in the U.S. include the Literary Guild and Doubleday Book Club. Worldwide, Bertelsmann book clubs serve more that 22 million members.
- **Bertelsmann Printing & Manufacturing Corp.**—BPMC is a leading full-service printer and book manufacturer. It has facilities in Virginia, Pennsylvania and California.
- **Gruner + Jahr USA Publishing**—The American arm of the international publishing firm with such titles as *Stern*, *Capital*, *Prima* and *Eltern* is known in the U.S. for *Parents*, *Expecting* and *YM* magazines. Bertelsmann owns 74.9 percent of G + J.
- **Brown Printing Co.**—with eight plants located throughout the country, Brown is one of the nation's premier magazine and catalog printers. A unit of Gruner + Jahr, Brown prints editions of *Time*, *Sports Illustrated* and *Business Week*, among other magazines.

The United States units are provided with corporate support by Bertelsmann, Inc., which maintains relationships with banking and lending institutions in this country. Its staff oversees tax and legal activities in the U.S. and other countries.

To receive a booklet describing the American operations, please contact Bertelsmann, Inc., 1133 Ave. of the Americas, New York, NY 10036, 212/391-0143, or Bertelsmann Corporate Communications-News Bureau, 211 East 43rd St., New York, NY 10017, 212/687-1765. □

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DM and a subsidiary in every important market throughout the world. Company divisions are organised by function and region to provide product management and local customer liaison essential for efficient marketing. This principle also determines the active presence of Biesterfeld in the markets of America, Europe and Asia.

Trade in plastics,chemicals and our services, from analysis to packaging, storage of solid and liquid chemicals, production of own innovations as well as forwarding internal and outside freight, are complementary measures which contribute to a comprehensive customer service. Safety and reliability, the result of decades of experience, characterise the range of services for co-operative partnerships. These form a solid base for the successful expansion of existing connections with the new markets of the united Germany and eastern Europe. □

Boehringer Ingelheim

BOEHRINGER INGELHEIM CORPORATION, Ridgefield, Connecticut, is a health care company and the principal licensee of Boehringer Ingelheim International GmbH. A wholly-owned subsidiary of PharmaInvestment, Ltd., Toronto, Canada, Boehringer Ingelheim Corporation is the parent and sole stockholder of a number of companies that develop, produce, and sell a wide range of pharmaceutical products, veterinary medicines and biologicals, agricultural chemical products, fine and specialty chemicals, and, most recently, bakery products.

Boehringer Ingelheim Pharmaceuticals, Inc., Ridgefield and Danbury, Connecticut, the largest operating company of the corporation, is an ethical pharmaceutical and consumer products developer and manufacturer. Other subsidiary companies include Roxane Laboratories, Inc., Columbus, Ohio, a pharmaceutical unit dose manufacturer; Boehringer Ingelheim Animal Health, Inc., St. Joseph, Missouri, a developer and manufacturer of veterinary medicines and biologicals; and a group of chemical companies, including Henley Chemicals, Inc., Montvale, New Jersey, fine and specialty chemical distributors; Infracorp Ltd., Petersburg, Virginia, a chemical engineering and service group operated in conjunction with Lee Laboratories, Petersburg, a joint venture with A.H. Robins, producing pharmaceutical chemicals. The newest member company of Boehringer Ingelheim Corporation is BI Bakery Products, Bohemia, New York, which markets four main types of bakery products: dough conditioners, concentrates of conditioners, premixes and complete mixes. The complete mixes are manufactured primarily in Bohemia.

The Boehringer Ingelheim Corporation has a strong commitment to the development, manufacture, and sale of significant new products for health care. □

BLG Bremen / Bremerhaven

The BREMER LAGERHAUS-GESELLSCHAFT (BLG) is the operator of the freeports in Bremen and Bremerhaven. It is a joint stock company with 50.4 per cent of the share capital held by the City of Bremen, and the remainder in private hands. The shares are noted on the regular market at the Bremen Stock Exchange. The BLG employs about 4,100 persons.

The tasks of the BLG include the handling of goods to and from ships and barges and all the activities connected with this, such as loading and unloading rail and road trucks for inland transport, and the storage and distribution of goods. The BLG is also concerned with planning, construction, acquisition, and the financing and maintenance of buildings and handling equipment (superstructure). The infrastructure (harbour basins, quays, railways and roads) is the responsibility of the City of Bremen.

In 1989, the BLG handled a total of 18.2 million tons in Bremen and Bremerhaven, including 11.6 million tons (70%) in 1.2 million container units (TEU).

In *Bremen* the BLG runs the Oversea Harbour, the Europe Harbour, the Neustadt Harbour, the Foreign Trade Center, and the Grain Terminal. The emphasis is on handling conventional general cargo. Special importance, however, is traditionally given to the import of cotton, wool, coffee, tobacco, forest products, citrus fruits, and recently also cocoa, which is supplied via Bremen to important sectors of the German and European markets. The export of steel products and chemical wares is the essential business of the export trade. Bremen's most modern installation is the Neustadt Harbour, designed as a multi-purpose terminal for handling containers and general cargo, including break bulk and industrial plants.

In 1989, the BLG handled 4.8 million tons of general cargo in Bremen (1.6 million tons in containers) plus 1.2 million tons of grain and feedstuff (including Nordenham).

In *Bremerhaven* the heart of the BLG installations is the Container Terminal. With an area of 1.6 million square meters and berths extending for more than three kilometers, it is Europe's largest container-handling facility. On the storage areas, 30,000 containers (TEU) can be stacked two-high. At the river berth (Stromkaje), eight large container ships can berth simultaneously. The Nordhafen, part of the terminal, has 900 meters of quayside. Here ro/ro cargoes are handled as well as containers. A further important activity in Bremerhaven is the transhipment of motor vehicles. In 1989, more than 700,000 vehicles were exported or imported via the BLG facilities, more than in any other European port. Another considerable factor is the import of nearly 595,000 tons of bananas.

In 1989, the BLG handled 12.2 million tons of general cargo in Bremerhaven, of which 10 million tons (82%) were containerized (= 1 million TEU).

In the Ports of Bremen and Bremerhaven altogether a grand total of 32.7 million tons of goods of all kinds were handled in 1989, of which more than 20.5 million tons were work-intensive general cargo. The foreign trade volumes handled via Bremen and Bremerhaven represent a value of about 80 billion marks. In the Federal State of Bremen, nearly every third job is connected with the port economy. Analogous to this, the whole spectrum of workplaces directly or indirectly related to the port creates about one-third of Bremen's gross social product. □

THE Budd COMPANY

THE BUDD COMPANY is recognized internationally as a leading supplier to the automotive industry. As a subsidiary of Thyssen AG, of Duisburg, West Germany, Budd is backed by the technical resources of an international partner in the automotive industry with expertise in materials, components and systems. This year marks the 12th anniversary of the Budd-Thyssen relationship.

Siegfried Buschmann is Chairman of the Board and Chief Executive Officer. David P. Williams serves as Budd's President and Chief Operating Officer.

Buschmann has served on Budd's Board for eight years. In 1986 he was named as Vice Chairman and Chief Financial Officer. Prior to this appointment, he had served as Senior

Vice President and Chief Financial Officer.

Before joining Budd in 1982, Buschmann, a native of Essen, West Germany, served in several executive position at Thyssen AG.

Buschmann is currently President of Thyssen Holding Corporation, which owns all of Thyssen's companies in the U.S. Buschmann is also a member of the Board of Directors of Budd Canada Inc., Hueller Hille Corporation, and Thyssen Specialty Steels Inc. He is Chairman of the Supervisory Board of Ferrozell-Gesellschaft Sachs & Co. mbH in Augsburg, West Germany.

Buschmann earned a master's degree in business administration in 1964 from Wilhelms University in Muenster, West Germany.

Budd's range of automotive products includes steel stampings and assemblies, full frames and chassis frame components, heavy duty truck wheels, hubs, drums and attaching parts, SMC plastic autobody panels, prototypes, castings, cold weather starting aids and water skis.

Budd offers the unique capability to supply its customers with automotive components from a full range of materials, such as steel, plastic, aluminum, and gray iron.

Budd recently began production in a new automotive metal stamping and assembly plant in Shelbyville, KY, as well as in a new plastic composite molding facility in Kendallville, IN.

New products include a truck brake drum reinforced with a cage of steel wires and engine components made from plastic composite.

The company, headquartered in Troy, MI, currently employs more than 11,000 worldwide.

If you would like more information about Budd, please write or call:

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Public Affairs Department
3155 West Big Beaver Road
Troy, MI 48084
Telephone: (313) 643-3500 □

C&S/SOVRAN CORPORATION (NYSE: CVN), formed through the merger of The Citizens and Southern Corporation and Sovran Financial Corporation on September 1, 1990, is one of the nation's leading financial services companies. Headquartered in Atlanta and Norfolk, C&S/Sovran is the 13th largest bank holding company in the nation with assets of $50.3 billion at June 30, 1990 and 11th in the nation with deposits of $36.6 billion.

With more than 1,000 banking locations and 868 ATM's, C&S/Sovran maintains the third largest financial services delivery system in the nation. The Company serves more than five million individual and business customers in its principal banking region—Florida, Georgia, Kentucky, Maryland, South Carolina, Tennessee, Virginia, and the District of Columbia.

Through its large corporate activities, C&S/Sovran serves 40% of the Fortune 500 companies and two-thirds of those Fortune 500 companies headquartered in the region. C&S/Sovran is one of the nation's 10 largest cash management banks and is the largest single provider of cash management financial services to the U.S. Treasury. C&S/Sovran's international activities are the largest in the region. Trust services, provided to both corporate and individual customers, rank among the top 12 in the nation. Investment counseling provides specialized services throughout the region.

The Company also offers a wide range of

other specialized corporate services—including factoring, commercial finance and leasing—to customers throughout the nation. The Company's factoring business is the third largest in the nation. Credit card, leasing and mortgage servicing subsidiaries all rank among the top 20. □

THE CHASE MANHATTAN BANK serves corporate, individual, institutional and government clients around the world.

With operations in 55 countries, Chase provides a comprehensive range of financial products and services.

Chase AG, headquartered in Frankfurt, can call upon a distinguished team of investment bankers experienced in corporate finance capabilities such as mergers and acquisitions, risk management, leasing, private placements and syndications. Within Germany, Chase Manhattan has industry expertise in manufacturing, primary industries, energy, shipping, media and electronics, consumer goods and services and aerospace.

The service products sector of Chase—Chase InfoServ International—brings under one management cash management products, global custody, trade finance and international advisory services, all deliverable through a global electronic network.

Chase traces its origin to the Bank of the Manhattan Company, founded in 1799. After New York City had passed legislation authorizing a municipal water company, Aaron Burr successfully lobbied for an amendment to allow the company to use capital not required in the water business in money transactions and operations. The company's directors voted to establish an office of discount and deposit, and on September 1, 1799, the Bank of The Manhattan Company opened its doors at 40 Wall Street.

The other institution that would play an important role in Chase's history was founded on September 16, 1877, as the Chase National Bank. The bank was named after Salmon P. Chase, the Secretary of the Treasury who led the fight for passage of the National Banking Acts of 1863 and 1864.

In 1955, the merger between Chase National and the Bank of the Manhattan Company created The Chase Manhattan Bank. Chase secured a national charter in 1965 and in 1969, The Chase Manhattan Corporation was formed as a one-bank holding company. □

CITIBANK is one of the premier financial institutions in the world. Through its 92,000 employees in 93 countries, Citibank serves consumers and companies across the globe.

As a global bank, Citibank is an undisputed leader. Its first overseas branch was opened in 1914 and, since that time, the bank has maintained its global character as well as its leadership position. Today, the bank has more offices, in more countries, than any other institution of its kind. Through this powerful network, Citibank is able to provide a depth and range of services to both individuals and corporations that is unmatched.

Citibank's corporate customers include many of the largest multinational companies in the world, as well as local companies in every country where the bank does business. Citibank provides these clients with a complete range of financial services, from basic banking products such as loans and letters of credit, to complex, cross-border financial programs. Citibank AG, through its offices in Berlin, Dresden, Dusseldorf, Frankfurt, Hamburg, Munich and Stuttgart, provides these services to both German companies and the German subsidiaries of global multinationals.

Citibank is well positioned as a pan-European bank, with offices in every European OECD country and most of the EFTA countries as well. In addition, Citibank has had a commercial bank in Hungary for five years and has just opened offices in Czechoslovakia, Yugoslavia, and Poland.

Citibank also serves individuals in 37 countries, providing checking accounts, consumer loans, mortgages and credit card services to more than 27 million households worldwide. In Germany, Citibank provides financial services to over 2 million households through KKB Bank AG, its local branch banking network.

Citibank prides itself on the excellence of its people and its service, as well as its unique global franchise. The bank's relationship with its many German customers, both individuals and corporations, has been and will continue to be an important and vital part of its business. □

Founded in 1870, COMMERZBANK ranks as one of the "Big Three" German private-sector banks, providing an extensive range of services for its some 3 million customers at home and abroad. Its consolidated total assets as of October 30, 1990 exceeded DM 200 billion, with its capital and reserves amounting to over DM 7 billion. The Commerzbank Group maintains a network of over 900 branch offices at home and abroad, employing more than 28,000 people.

Commerzbank is engaged in all kinds of commercial, investment, and merchant banking, as well as being active as a broker/dealer. Emphasis in commercial banking used to be on short- and medium-term loans, but over the last two decades, long-term lending has increasingly become significant, too. The same applies to such financial services as assistance with mergers and acquisitions or with stock exchange introductions. Other areas enjoying a favorable development more recently have been asset management and trust business. Although the bank has always considered wholesale banking as one of its particular strong points, retail banking has also experienced rapid growth over the past 30 years and now accounts for roughly half of the bank's business at home.

Commerzbank's domestic presence is reinforced by some 20 banking and financial associates, the most important of which are RHEINHYP Rheinische Hypothekenbank, a prominent German mortgage bank, and Berliner Commerzbank. Cooperation agreements with leading companies in bank-related sectors, including housing finance, insurance, management consulting and commercial property brokerage, further supplement the bank's range of activities.

In eastern Germany, Commerzbank operates a network of its own independently established branches which, together with its long-standing base in Berlin, offers customers in the region the full scale of modern banking services.

International activities today account for approximately one-third of Commerzbank's total business, stretching from trade and corporate finance to syndication business and project finance, while also including cross-currency and interest swaps, currency options and sophisticated cash management services.

The bank's international presence extends to more than 40 outlets of its own in over 30 countries. Commerzbank maintains extensive operations in the United States. In 1971, the Bank was the first German bank to open a full-service branch in the country. In addition to this New York branch, Commerzbank's U.S. network now includes branches in Chicago and Los Angeles, an agency in Atlanta, and an investment banking subsidiary in New York, Commerzbank Capital-Markets Corporation. □

COMMERZBANK CAPITAL MARKETS CORPORATION

COMMERZBANK CAPITAL MARKETS CORPORATION (CCMC), founded on March 1, 1988, is a full-service investment bank headquartered in New York, serving major corporations, institutions, governments and private investors around the world. As a wholly-owned subsidiary of Commerzbank AG, one of the leading German "universal" banks, CCMC is continuing a twenty-year long tradition of U.S. investment banking activities started with several European partners. CCMC is member of both the New York Stock Exchange and the Securities Investor Protection Corporation.

CCMC offers a wide range of securities trading services and makes markets in German and other foreign securities in the United States. CCMC's membership on the New York Stock Exchange combined with Commerzbank's longstanding international relationships ensure fast and skillful execution of all orders placed by institutional and private clients. As a self-clearing firm, CCMC's trading capabilities are supported by an efficient and responsive back office and operations department. Due to its intimate knowledge of the German and other foreign securities markets, CCMC provides its expertise to both institutional investors and private clients.

Serving as a conduit for Commerzbank's worldwide investment research capabilities, CCMC's sophisticated quantitative portfolio strategies enable investors to take advantage of opportunities in the world capital markets. The firm's U.S. research is geared to the specific requirements of foreign investors wishing to diversify into U.S. dollar equity and bond investments. CCMC's research staff continuously reviews and evaluates the general economic and political situation in the United States, developments of various industry groups, and the prospects for particular companies.

CCMC offers full-service private banking for affluent individuals worldwide, including a wide range of financial planning and portfolio management services carefully tailored to each client's specific investment objectives and risk tolerance. Using a strategy of global diversification, the emphasis is on risk management implementing state-of-the-art asset allocation strategies combined with quantitative country and stock selection techniques.

CCMC also provides specialized corporate finance advisory services and participates in underwriting U.S. equity and debt issues and in raising capital through private placements.

Drawing on the global resources of the Commerzbank Group, CCMC seeks to build close client relationships based on trust and understanding, with a strong commitment to efficiency and excellent service. □

Coopers & Lybrand

Growing your business in a foreign country is not a simple task. The business must be adapted to fit its new environment if it is to succeed. This is particularly true in the current American marketplace.

COOPERS & LYBRAND understands that a *cultural transplant* needs a great deal of tending, so we have designed a special program for both German investors and German companies with U.S. operations. We have already helped many German companies establish new operations and make acquisitions in the United States.

In addition to accounting and auditing, our services for German companies include consulting on international trade, management, taxation, business investigations, government contracting, mergers and acquisitions, and benefits and compensation.

Because of our expertise in many indus-

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Coopers & Lybrand has the people, the technology and the services to help businesses to succeed.

C&L

In the global marketplace, it has become critical to find specialized business advisors who can provide the kind of service that can help you succeed.

Coopers & Lybrand has developed a program to make that kind of advice available to German businesses, large or small. We have tailored the types of services crucial in today's market to the special needs of German companies—services like:

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- Tax compliance and planning (treaty questions);
- Information systems consulting;
- Management consulting;
- Mergers and acquisitions consulting;
- Actuarial, benefits and compensation consulting (tailored to the German market).

Our trained professionals, on both sides of the Atlantic, have the latest technology at their fingertips to help you and your management team develop answers to your business needs. Why not talk to us—in English or in German—and see what we can do to create solutions for your business. We have offices in 98 U.S. and over 35 German cities.

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tries, we can advise you on the economic situation as well as the problems and opportunities facing them in the United States. We will keep you abreast of changing rules and regulations from Washington and various state governments, and guide you through the maze of directives related to employee benefits and pensions.

To help you become part of your new environment quickly, Coopers & Lybrand can provide you with introductions to banks, attorneys and members of the local business community.

The Coopers & Lybrand network of 98 U.S. offices is staffed with partners and professionals experienced in both start-up and well-established businesses. We are all business people who approach work with one overriding goal: to help your company prosper. Our financial and management background can help make your German business a success in America.

Through the merger of Treuhand-Vereinigung AG and Treuarbeit AG, we are well represented in Germany, with offices in over 35 German cities.

For further information, please contact Reinhard Augustin or Kurt Ramin, 1251 Avenue of the Americas, New York, NY 10020; telephone: (212) 536-2116; fax: (212) 536-3500. □

DBP TELEKOM, INC.

DBP TELEKOM, INC. was incorporated under the laws of Delaware on March 20, 1990 and is a subsidiary of Deutsche Bundespost Telekom, which is headquartered in Bonn, Federal Republic of Germany. Deutsche Bundespost Telekom is the second largest public international telecommunications carrier in the world with 220,000 employees and $27 billion in revenues. DBP Telekom, Inc. is the American headquarters of DBP Telekom. Located in New York City; it has three major objectives:

1. To provide consultation and information on DBP Telekom services to multinational customers who have voice, data or video telecommunications requirements between U.S.A. and Europe, or who need information on telecommunications services available within Europe. This local support, coupled with the support provided by our Germany-based teams will allow the customers to examine the feasibility of making Germany their European telecommunications center (network node, data center or telemarketing center).
2. To partner with American-based international telecommunications carriers to provide telecommunications services to Germany for multi-national customers and to jointly develop new services to further improve telecommunications capabilities.
3. To perform market research and give feedback to the Bonn headquarters on new services, pricing structures, service levels, etc. in order to maintain the highest level of customer satisfaction.

Mr. Herbert Wirz is President and Mr. Don Hassenbein is Vice President.

Mr. Wirz formerly worked with Ministry of Posts and International Telecommunications, beginning in 1965 and was active in international work in the mid sixties, having been involved in ITU work, especially in the field of international transmission. He was also a member of the CCITT Study Groups XII, XV, XVI and Spec. C. In 1972 he became chairman of the Mixed Study Group C (CCITT and CCIR). In 1973 he moved to Bonn and was responsible for international network strategy in the Ministry of Posts and Telecommunications. In this function he was the representative of Deutsche Bundespost Telekom for the Transatlantic Communications Policy in Facility Planning from the beginning of the work of the U.S.-European Committee in 1973. He was also a member of many of the European CEPT-Groups and the Governor and Signatory of the Deutsche Bundespost in INTELSAT, EUTELSAT and other European Organizations such as ESA.

Mr. Wirz is 59 years old, born in France, married since 1963. He has 3 children (19, 23, 25) and has lived in Bonn since 1973.

Mr. Hassenbein has twenty three years of experience in the telecommunications arena, speaks fluent German and has lived in Germany nine years. His previous assignment was as a Marketing Director for a large American telecommunications carrier located in Frankfurt, Germany. His responsibilities included assisting multi-national customers with their international voice, data and video applications. Mr. Hassenbein was active in the American and German Chambers of Commerce. He is 49 years old, born in Pennsylvania (U.S.A.) and is married with three children. He wife, Elke, was born in Hamburg, Germany

The DBP Telekom organization is expected to expand (personnel and location) dramatically in order to effectively serve customers' needs. □

DG BANK

Deutsche Genossenschaftsbank

DG BANK, a wholesale bank headquartered in Frankfurt am Main and operating an extensive international network, provides comprehensive commercial and investment banking services and acts as central bank for the cooperative banking system which forms an integral part of the financial community in the Federal Republic of Germany.

In the United States, DG Bank has established a firm presence through branches in New York, Atlanta and Los Angeles and a brokerage company in New York, the DG European Securities Corporation.

The Bank's New York Branch provides a wide range of commercial banking services for corporate, institutional and private clients. Offshore business is conducted through an International Banking Facility and a Cayman Islands Branch. The Atlanta and Los Angeles Branches concentrate on servicing corporate banking needs in their respective business regions.

Worldwide the Bank's network includes branches, subsidiaries, affiliates and representative offices in Rio de Janeiro, Tokyo, Hong Kong, Singapore, London, Amsterdam, Luxembourg, Paris, Zurich, Geneva, Moscow, Budapest and Bucharest.

At year-end, 1989, the consolidated assets of the DG Bank Group were DM 186.9 billion (U.S.$ equivalent 110.1 billion) while its business volume (total assets plus contingent items) reached DM 196.4 billion (U.S.$ 115.7 billion), including a loan portfolio of DM 125.0 billion (U.S.$ 73.6 billion).

The Group's total foreign lendings increased by 27.6 percent to DM 38.4 billion (U.S.$ 22.6 billion), of which DM 11.7 billion (U.S.$ 6.9 billion) were loans and DM 26.7 billion (U.S.$ 15.7 billion), money market deposits with banks in Western industrialized countries.

In the field of international securities syndication, DG Bank lead-managed nine bond issues and one stock issue; moreover, the Bank participated in 138 international stock and bond issues as a co-manager.

At year-end. 1989, the German cooperative banking system—ultimately owned by 11.3 million shareholders—consisted of 3,223 local banks with over 19,000 offices, three regional banks, DG Bank and numerous specialized financial institutions with consolidated assets exceeding DM 642 billion (U.S.$ 378 billion). During 1990, in the course of German reunification, DG Bank extended its activities to the 365 local cooperative banks in the five new states of the Federal Republic where these banks operate over 2,800 offices. □

DAIMLER-BENZ is an integrated group which operates all over the world and which has complemented and extended its main sphere of activity in the automotive sector by opening up new fields in high technology. With an automotive tradition which goes back over 100 years, combined with pace-setting engineering, Daimler-Benz is a world leader in the production of high-quality cars and economical commercial vehicles. The group is also involved with new technologies such as the fields of electronics, aerospace, as well as with the services.

With its motor vehicle business, together with AEG and the companies of Dornier, MBB, MTU and Telefunken Systemtechnik which are now integrated into Deutsche Aerospace, Daimler-Benz has, over the last few years, become the industrial company in the Federal REepublic of Germany with the highest turnover. In the 1989 financial year, consolidated sales of Daimler-Benz amounted to DM 76.4 billion. The Daimler-Benz group employs more than 370,000 people worldwide.

Daimler-Benz—the new group

The changes to the organisational and managerial structure of Daimler-Benz serve to facilitate the expansion and grouping together of activities. Since mid-1989, Daimler-Benz AG has been operating as a holding company with overall managerial responsibility over the legally independent group member companies of Mercedes-Benz AG, AEG Aktiengesellschaft, Deutsche Aerospace AG and Daimler-Benz InterServices (debis) AG:

Mercedes-Benz AG
- Passenger cars
- Commercial vehicles

AEG Aktiengesellschaft
- Automation systems
- Office and communication technology
- Components and electrical machinery
- Domestic appliances
- Microelectronics
- Transport systems

Deutsche Aerospace AG
- Aviation
- Space technology
- Defence technology
- Propulsion systems

Daimler-Benz InterServices (debis) AG
- Software House
- Finance Services
- Insurance
- Trading Services
- Marketing Services

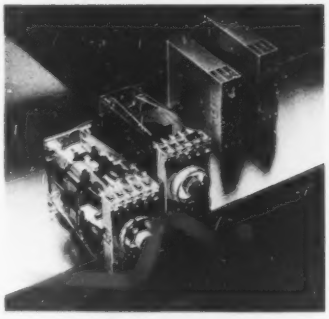
With this new group structure, Daimler-Benz is setting the scene for the future. An integrated high-technology group will be assured of a lively exchange of knowledge and research results, so that these resources are utilised efficiently. This benefits all the corporate units in the group, and especially Mercedes-Benz motor vehicles, which will continue to be the main carriers of progressive technology. □

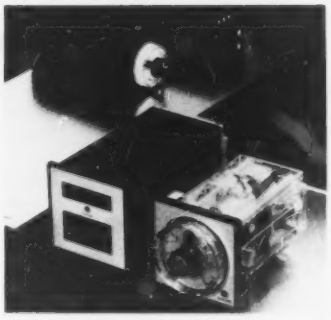
DANZAS

DANZAS GmbH, one of the leading forwarding organizations in Germany is a wholly owned subsidiary of Danzas AG, Basle and was founded in 1919. Today we have more than 80 offices in Germany.

Special divisions for air- and oceanfreight and for project shipping worldwide, specialized departments for food transports as

Schleicher Timers now in the United States





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well as for trade shows in Germany and abroad guarantee a high measure of competency and experience. As one of the largest forwarders, we offer a full range of transportation.

We know the competing carriers and we are able to match special demands and their special requirements. Being independent, we are not obligated to any carrier.

Danzas GmbH cooperates with the whole Danzas network internationally in Europe and overseas. We are represented on all 5 continents with more than 700 Danzas offices and 15,000 employees.

In 1989 Danzas acquired Northern Airfreight Inc., a U.S. forwarder specialized primarily in U.S. domestic air freight, and integrated it into our existing company in the U.S.

The reorganized firm is now operating as Danzas Corporation with its head office in Bellevue, WA.

Together with Danzas Canada Ltd. we have a North American network comprising about 50 offices and almost 1,200 employees. It provides us with the necessary infrastructure for expanding our door-to-door services on deep sea routes and in domestic American and intercontinental airfreight, with emphasis on Europe, Asia, Australia and Latin America.

The entire Danzas organization guarantees professional handling for all door-to-door forwarding requirements across international boundaries.

To offer our client up-to-date handling in documentation and communication, we use the most advanced equipment to communicate around the world.

We will continue to serve our customers efficiently in the future and to help them save money in the field of transportation, because this is our market. □

Degussa

DEGUSSA, founded in 1873 and headquartered in Frankfurt am Main, Federal Republic of Germany, has grown from a refiner of gold and silver coinage to an international leader in the development and manufacture of chemical, precious metal and pharmaceutical specialties with worldwide annual sales approximating $8 billion. In addition to maintaining numerous plants and research and development laboratories in the Federal Republic of Germany, Degussa supplies intermediate products from manufacturing facilities in 24 countries throughout the world.

Degussa Corporation, the American subsidiary of Degussa AG, supplies products and services used in diverse domestic industries such as agriculture, automotive, ceramic and glass, dental, electronic, health care, plastic and textile. Production plants in the United States are located in Alabama, California, Kentucky, New Jersey, New York and Pennsylvania. Degussa Corporation employs 2,100 people. □

Deutsche Bank

A century of universal banking

DEUTSCHE BANK, headquartered in Frankfurt-on-Main, is the largest bank in the Federal Republic of Germany with total assets (consolidated) as per December 31, 1989 of DM 344.0 ($202.3) billion, deposits of DM 312.5 ($183.8) billion and Group capital and reserves of DM 14.4 ($8.5) billion. It is also one of the world's leading banking institutions.

Deutsche Bank as a *universal bank* is active in both commercial and investment banking. With a newly founded subsidiary it diversified into the life insurance market. The Deutsche Bank Group includes commercial banks, mortgage banks, investment banking companies, leasing companies, international financing companies, consulting firms and other specialized institutions in Germany and abroad.

The principal strength of Deutsche Bank derives from its commercial banking position in Germany where it can claim to be the leading bank in corporate and private customer business, measured by assets as well as deposits. Its network comprises 1,330 domestic branches. Deutsche Bank also is Germany's largest investment bank and brokerage firm. It ranks among the top participants in the Eurobond market and is represented in all important financial centers of the world. Through Deutsche Bank Luxembourg S.A., the bank is one of the leading institutions involved in Euromarket lending and loan syndications.

In recent years, the bank has substantially increased its international commercial and investment banking activities with a special focus on Europe where its presence has been enhanced considerably in Italy, The Netherlands, Spain and Portugal. It further strengthened its position appreciably by acquiring the Morgan Grenfell Group plc, London, the British merchant bank. With similar emphasis, the bank consolidated its presence in Asia by acquiring the former European Asian Bank and merging it with Deutsche Bank, thereby adding a comprehensive branch network in one of the major growth areas of the world.

In April 1990, the bank founded a subsidiary in East Germany, Deutsche Bank-Kreditbank AG. It started business activities with about 140 offices and 9,000 employees on July 1, 1990.

Deutsche Bank's objective in North America continues to center on serving the needs of its German and international clients active in the U.S. and Canada as well as further strengthening its position in the North American domestic corporate market. Its New York Branch, established in 1978, is mainly involved in commercial wholesale banking with emphasis on short and medium term lending, credit enhancement, project finance, documentary business and foreign exchange. The bank also has branches in Chicago and Los Angeles. Off-shore activities are channeled through the International Banking Facility (IBF) and the Cayman Islands Branch.

Deutsche Bank is engaged in U.S. investment banking and securities brokerage through its wholly-owned subsidiary Deutsche Bank Capital (see separate profile). In Canada, the Bank operates—in the commercial banking section—through Deutsche Bank (Canada) and the wholly-owned securities broker McLean McCarthy, both in Toronto. Furthermore, the bank is active in the U.S. in sales financing through its wholly-owned subsidiary Deutsche Credit Corporation in Deerfield, Illinois (see separate profile). □

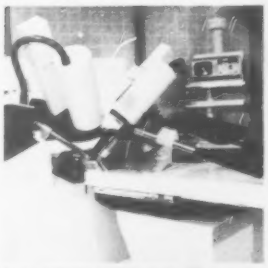
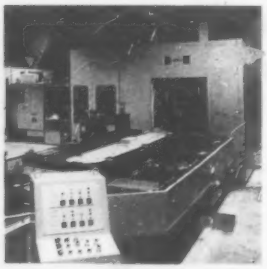
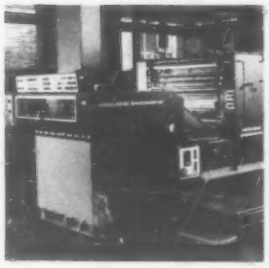
Deutsche Bank Capital Corporation

DEUTSCHE BANK CAPITAL CORPORATION (DBCC) has been operating in New York since 1971 and presently employs over 250 professionals and staff. It is a member of the New York Stock Exchange and other principal U.S. exchanges. Deutsche Bank Capital Corporation has paid-in capital in excess of US $100 million.

DBCC's Corporate Finance Department offers a wide range of public and private financings in the U.S. to both U.S. and international clients, including debt and equity underwritings, tax-exempt issues and private placement of preferred stock. The services include advice on mergers, acquisitions, divestitures, and joint ventures in the U.S. and Europe.

The DBCC Swap Department, in concert with the bank's swap teams in London, Tokyo and Frankfurt, gives advice on and executes interest rate, currency and cross-currency interest rate swaps in all major currencies.

INVESTITIONSGUETERFINANZIERUNG
is the German word for Equipment Financing

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Deutsche Credit

FINANCING THAT FITS

DBCC's Securities Departments trade and make markets in German and other foreign equities as well as major currency fixed-income securities. An integral part of the bank's worldwide investment banking network, the Securities Departments provide access to Deutsche Bank's trading and research departments in all important financial centers.

DBCC's money management services are available to institutional and substantial private investors wishing to diversify into U.S. dollar equity and fixed-income investments. Employing a fundamentally-driven approach, this department emphasizes capital preservation and risk avoidance. Investment strategies adhere to guidelines established in close cooperation with the client.

The Real Estate Division of DBCC combines real estate expertise with capital markets experience to create traditional or innovative financing services. These include securitization of investment-grade commercial real estate, private sales and the sponsorship of income-oriented partnerships. This division acts as investment advisor to a number of Real Estate Investment Trusts with investments of approximately US $1 billion.

DBCC cooperates closely with the bank's other North American operations in a wide variety of public and private financings and financial services. □

Deutsche Credit

DEUTSCHE CREDIT CORPORATION, a Chicago based commercial finance company with a nationwide network established in 1978, is a wholly owned subsidiary of Deutsche Bank AG and a major source of asset based financing or leasing for domestic and international companies.

The comprehensive range of financial services offered by Deutsche Credit Corporation includes custom-designed financing programs in areas like capital equipment loans, leasing, leveraged leasing, conditional sales financing, floorplanning and private label financing. These wholesale and retail marketing programs can accommodate manufacturers, dealers/distributors and end-users.

Deutsche Credit Corporation focuses on financing capital goods produced by the following industries: Aircraft, Communications, Construction Machinery, Data Processing, Electronic Instrumentation, Machine Tools, Material Handling, Medical Equipment, Mining, Printing and Graphic Arts, Transportation, Production Machinery and more.

Headquartered in Deerfield, Illinois (a Northwestern suburb of Chicago), Deutsche Credit Corporation employs 160 professionals in the head office and its district offices located in major industrial areas such as Atlanta, Boston, Chicago, Dallas, Los Angeles, Minneapolis, New York, Philadelphia, Richmond and Tampa. Through this network Deutsche Credit Corporation is able to provide efficient financial service to its corporate clients nationwide. □

KHD DEUTZ

DEUTZ CORPORATION is a U.S. subsidiary of Kloeckner-Humboldt-Deutz, AG of Cologne, Germany, the world's oldest manufacturer of internal combustion engines. KHD also manufactures agricultural equipment and processing equipment and is in the industrial plant business.

Deutz Corporation is responsible for sales, engineering and product support for diesel engines in the United States, Central America and the Caribbean. There are over 250,000 Deutz engines operating in construction and mining, welding and power generation, refrigeration, agriculture, oil field, railroad maintenance and material handling equipment in North America.

In October of 1990, Deutz Corporation changed locations to a new 137,000 square foot headquarters in Norcross, Georgia, outside of Atlanta. The new building contains an expanded warehouse, training area, engine prototyping and testing facility, as well as sales and administration offices.

The move increases Deutz' capability to support equipment manufacturers' new product developments and supply owners of Deutz diesel engines with immediate qualified help when parts and service support are required.

In recent years Deutz has introduced several new series of diesel engines featuring advanced technology that meet stringent environmental and economical operating requirements. Research and development is a continuous process in areas such as combustion system design, electronic engine management, ceramic componentry and analysis of engine vibration, sound and gaseous emissions.

Deutz engines have been available in the United States since the turn of the century. Deutz Corporation has built on this tradition and today supplies a level of support equal to the premium quality of the diesel engines we manufacture. □

Dresdner Bank

DRESDNER BANK is headquartered in Frankfurt, West Germany, and is one of the world's largest and most experienced international banks.

In the United States, Dresdner Bank serves customers from coast to coast, through its branches in New York, Chicago, Los Angeles, and a regional banking subsidiary in Miami. A wide variety of sophisticated banking services are offered to corporate customers in the U.S., and from around the globe.

Dresdner Bank opened its first office in New York's financial district in 1965. Since then, Dresdner has played an important role in financing increased United States-German economic trade and investment. A quarter of a century later, Dresdner is serving customers from new, modern offices at 75 Wall Street.

A wide range of corporate finance and investment banking services are provided by ABD Securities Corporation, which recently celebrated its 20th anniversary in the United States. With headquarters in New York, ABD also maintains offices in Boston and Chicago.

ABD owns five seats on the New York Stock Exchange, and handles a substantial amount of portfolio transactions for customers around the world.

In West Germany, Dresdner Bank's activities are typically those of a *universal bank*. It transacts all manner of financial business, and offers its private and corporate customers a comprehensive range of banking services.

In addition to deposit taking and lending, Dresdner has traditionally figured prominently in securities business and money market, foreign exchange and precious metals trading. It also enjoys world-wide standing as an underwriter. A substantial proportion of the Bank's business volume is derived from its international operations.

Dresdner Bank is represented in over 50 countries, including all the world's major financial centers. □

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EGRETT II aircraft sets standard for high-altitude electronics applications!

E-SYSTEMS Greenville Division has capitalized on more than four decades of experience in the design and modification of advanced aircraft with the development of EGRETT II, an aircraft designed for high-altitude, long-endurance airborne electronics applications.

The airframe was designed jointly by E-Systems Greenville Division of Greenville, Texas, U.S.A., and GROB, and is constructed by GROB Luft-und Raumfahrt of Germany. The EGRETT II is constructed from advanced carbon-fiber, fiberglass and Kevlar-reinforced composites. These materials offer a high strength-to-weight ratio and enable EGRETT II to lift electronic payloads to altitudes over 45,000 ft. Large internal fuel capacity allows EGRETT II to remain airborne for more than ten hours. Removable equipment modules attached to the fuselage can carry a variety of sensors and are easily interchanged for different airborne applications.

Aircraft dimensions are: Wingspan, 103 ft.; Length, 40 ft.; Height, 19 ft. EGRETT II climbs at the rate of 1,500 ft. per minute with a maximum takeoff weight of 9,900 lbs. Cruise speed is 160 kts. The pressurized cockpit features state-of-the-art flight instrumentation and avionics.

Various airborne electronics applications of EGRETT II include airborne communications station or relay, search and rescue, drug interdiction, border surveillance, law enforcement, and environmental survey.

E-Systems has also announced the creation of TELOS (Technisch-Logistische Service) GmbH, a joint venture company formed with German partners Elekluft, Burkhart Grob Luft-und Raumfahrt and Company KG, and Messerschmitt-Boelkow-Blohm. Telos will provide in-country logistics and maintenance support for programs associated with the EGRETT aircraft.

E-Systems has also joined with five other U.S. and German companies to develop PRISMA (Primary Imaging Systems for Multiple Applications), using a special imaging radar on board EGRETT. These PRISMA partners with E-Systems are Hughes Aircraft, Telefunken System Technik, MBB, Grob, and Elekluft.

E-Systems, (NYSE-ESY), is a major worldwide developer and producer of electronic systems and products in the areas of intelligence, reconnaissance and surveillance systems, command and control, electronic warfare, specialized aircraft maintenance and modification, guidance, navigation and control, communications and data systems.

For more information, please contact:
K.H. Meyer
E-Systems Greenville Division
CBN-077
P.O. Box 6056
Greenville, Texas 75403-6056, U.S.A. □

EM INDUSTRIES, INC.

The business of the EM INDUSTRIES group will reach a volume of $150 Mil. in 1990 and is channeled through six operating divisions and two associated companies.

The PIGMENT DIVISION supplies pearlescent pigments for cosmetic and industrial applications. These pigments are produced in a large industrial facility in Savannah, GA.

Among the industrial applications, the major target group is the automotive industry, where new exterior colors have been created with the pigments produced by EM Industries. Other markets are the plastics, wallpaper and textile industries.

As to the cosmetical use, the RONA PEARL business group is handling this product line. The pearlescent pigments add an iridescent glow to powders, eye shadows, blushers, lipsticks, liquid makeups, nail enamels, cream, shampoos and soaps.

The ADVANCED CHEMICALS DIVI-

SION supplies sophisticated specialty chemicals to a variety of high technology industries. Interesting products include liquid crystals for display manufacturers and monocrystals for optical applications. In 1984, EM Industries acquired the OPTOVAC group of North Brookfield, Mass., which is a domestic manufacturer of optical crystals. Optovac's facilities have recently been expanded to accommodate the future growth of this high technology business.

The EM SCIENCE DIVISION was initially based on the acquisition of MCB Manufacturing Chemists of Cincinnati, Ohio. MCB is one of the oldest, most respected names in the field of laboratory chemicals. MCB had been able to extend its product offerings with the addition of fine laboratory products from E. Merck, Darmstadt, the largest worldwide supplier of high purity chemicals. MCB manufactures and sells close to 4,000 products for analytical and research purposes in industrial, educational and government laboratories. EM Science has expanded its product line to include HPLC (High Performance Liquid Cromatography) columns and other supplies. In mid-1987, a majority participation in INTERACTION CHEMICALS, INC. was acquired to expand the HPLC columns business. Interaction manufactures polymeric HPLC columns and is located in Mountain View, CA.

EM DIAGNOSTIC SYSTEMS, INC. handles the business for the United States clinical chemistry market. This division was initially based on the acquisition of the Harleco group, and later on developed into a joint venture with participation of a specialized domestic group. Today, EMDS is again part of the EM Industries group.

The FINE CHEMICALS DIVISION in turn supplies a range of high purity chemicals to the pharmaceutical and food industry, which includes traditional vitamin compounds like Vitamin C, where E. Merck, Darmstadt, is one of the world's largest manufacturers.

Since its inception, EM Industries has conducted clinical research for the Pharmaceutical Department of E. Merck, Darmstadt.

These activities are concentrated in the EM PHARMACEUTICAL DIVISION which has expanded its facilities and staff to pursue these activities more aggressively.□

'PRECISION' EIMELDINGEN INDIANAPOLIS

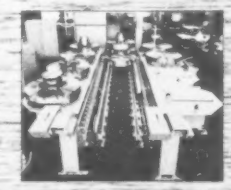
The name 'EIMELDINGEN' has been synonymous with 'precision' production instruments and equipment...worldwide...for over thirty years. Some industries that depend upon EIMELDINGEN 'precision' for inspection, manufacturing and quality control include aerospace, automotive, electronics and machine tools. When your production application demands the ultimate in dependable, repeatable 'precision'...specify EIMELDINGEN.

MACHINE TOOL TABLES

EIMELDINGEN precision machine tool tables include 8" diameter units ...airbearing rotary tables for micro-machining and inspection—with measuring accuracies to millionths-of-an-inch...medium-duty tables...and heavy-duty tables to 160 inches in diameter—with loading capacity to 265,000 pounds. Tables are available as horizontal, vertical or in-combination configurations...with fully-inclining or traveling capabilities.

PALLETIZING SYSTEMS

EIMELDINGEN palletizing components and systems provide precision workpiece positioning and automated production flow for machining operations. Components interface directly with new and most existing horizontal and vertical machining centers and VTLs. Customers work with a single, experienced source for the design, fabrication and installation of a turn-key palletizing system; customers are assured of component compatibility for future system integration and expansion of single or multiple machining stations.



MICROPRECISION SUPERMACHINING CENTERS

EIMELDINGEN NC Supermachining Centers can precisely machine five mechanical parts and electronic components to a mirror finish on two sides...simultaneously. The multi-axis Center utilizes airbearing spindles in the vertical and horizontal planes to machine and finish all sizes and shapes of intricate parts...including spherical. Supermachining Center options include airbearing horizontal rotary tables and airbearing X-Y slides to meet specific customer application requirements.

SPECIAL APPLICATION SYSTEMS

EIMELDINGEN application expertise and design engineering capabilities solve some of industry's more complicated and unique production automation problems. One example is this tomography system designed, engineered and fabricated for an aerospace client. The system utilizes x-ray technology for the non-destructive testing of structural integrity on large workpieces. Overall, the system is precise to 5 arc seconds in rotation and to 40 micrometers in elevation and translation.

EIMELDINGEN CORPORATION
302 SOUTH HARDING STREET • INDIANAPOLIS, IN 46222
FAX: (317) 632-8594
PHONE: (317) 638-0868

EIMELDINGEN

EIMELDINGEN Corporation, a wholly-owned subsidiary of Maschinenfabrik Eimeldingen in Eimeldingen, West Germany, was founded in 1979 in Indianapolis, Indiana. Eimeldingen is one of the world's largest manufacturers of ultra-precise rotary machine tool tables. . .dividing, graduating and coordinate tables . . . required for extremely ac-curate machining, measurement and inspection.

Eimeldingen's international reputation for extreme precision is acknowledged and utilized by industries manufacturing aerospace equipment, aircraft, helicopters, automobiles, generators and turbines.

This prestigious international company was founded in 1932 near Stuttgart as a designer and manufacturer of automatic transfer machines. In 1945, a new production facility built in Eimeldingen, West Germany, started manufacturing vises; various tilting and rotary movement workholding pieces— necessary for a retooling industrial nation— resulted from these original vises.

In the 50's when industry required precision measuring and inspection tables, Eimeldingen designed and manufactured rotary and rotary tilting tables to meet these requirements. In the early 1970's, Eimeldingen's rotary machine tool table was interfaced with other industrial operations,

including numerical control capabilities. This served to open the OEM market for Eimeldingen precision rotary tables, which were being widely used for production purposes; since 1975, nearly 80% of all Eimeldingen products have been used in a production function, with sales to all Western countries.

Eimeldingen Ltd. was opened in 1977 as a sales and service facility to accommodate Great Britain and the British Isles. Eimeldingen/Indianapolis was established in 1979 to provide the international firm with yet another manufacturing facility. Eimeldingen/Indianapolis designs and builds precision machine tool tables in many different configurations, palletizing components and systems for automated parts loading and positioning, air bearing rotary tables for micro-machining and parts inspection, air bearing multi-axis superfinishing systems for micro-machining applications, and special application equipment and systems to solve complicated manufacturing operations.

SIP machining centers—recognized worldwide as the leader in precision machining centers—in combination with technically qualified design and electronics personnel make it possible for Eimeldingen/Indianapolis to provide the United States market with the same precision industrial manufacturing equipment as that built in Europe. □

Ernst & Young

ERNST & YOUNG is one of the largest professional services firms in the United States. Internationally, we employ over 67,000 people in more than 650 offices in over 100 countries. The firm provides integrated accounting, tax, and management consulting services to businesses of all sizes in every industry—from the world's largest multinational corporations to individual entrepreneurs. Ernst & Young's professionals, experienced in identifying and addressing emerging business issues, enhance our clients' ability to compete in today's increasingly complex business environment.

In Germany, our 27 offices include five offices serving former East Germany in Berlin, Dresden, Leipzig, Schwerin and Erfurt. We have 1,700 employees in Germany prepared to serve companies on all audit, tax, management consulting, legal and insurance matters.

Ernst & Young has established a German Desk in New York with experienced U.S. and German professionals—who speak German and have extensive experience addressing the specific needs of German businesses operating in the United States.

Our services are tailored to meet the needs of German investors. Specific services commonly provided by our team include:

- Acquisition and joint venture due diligence
- Start-up Assistance
- International Tax Structuring
- Expatriate/Inpatriate Tax
- Conversion of U.S. to German Accounting Principles (HBII)
- Manufacturing Consulting

Senior members of our German team in the United States for you to contact are:

- John Curtis, CPA (212) 773-4166 or (617) 725-1129
  Coordinating Partner
- Ray Haas, JD, CPA
  (212) 773-6490
  International Tax Partner

Resident German Partners:

- Klaus Ossig, WP/Stb (212) 773-5245
- Ralf Muller, Stb (212) 773-5250

The German Desk of Ernst & Young
787 Seventh Avenue
New York, NY 10019
Telefax: (212) 582-3451

FAG

FAG BEARINGS CORPORATION is an international organization whose trademark is a worldwide symbol of quality and dependability in the design and manufacture of bearings in all sizes and configurations. FAG is recognized as the signature of one of the world's oldest and largest manufacturers of precision ball and rolier bearings. Since 1883 FAG has led the way in the development and refinement of bearing design and technology. Today, FAG employs over 30,000 people in branches and affiliate plants in the U.S.A., Canada, Brazil, Germany, Austria, Switzerland and Portugal. There are, in addition, FAG sales and service offices and distributors in more than 100 countries.

FAG headquarters in the U.S.A. are located in Stamford, Connecticut, where a full complement of administrative, marketing, engineering and distribution personnel service the American market. FAG also has distribution centers in Memphis, Tennessee and Los Angeles, California. The chief U.S. production facility is in Joplin, Missouri. After undergoing extensive expansion, the Joplin plant has been producing an extended range of bearing types in sizes hitherto never produced in the U.S. FAG's capabilities in bearing design and manufacturing are second to none. From automobiles to rolling mills, machine tools, to spacecraft, FAG is ready to provide bearings, housing, accessories and components, whatever and wherever the need. □

Feralloy CORPORATION

FERALLOY is a pioneer in the steel processing industry. More than thirty years ago, Feralloy began operations in Chicago with one coil slitting line and a large commitment to customer service. Today, Feralloy serves the steel processing reoluirements of the entire United States through seven processing facilities which are located in:

- Chicago, Illinois
- New Castle, Delaware
- Birmingham, Alabama
- Granite City, Illinois
- Cleveland, Ohio

and Feralloy's new company is:

- Feralloy West Company,
  Pittsburg, California &
  Fontana, California

Feralloy of today is one of the largest, most experienced steel processing companies in the country and is a major supplier of processed flat-rolled steel in either slit coils or cut-to-length sheets from master coils held in our inventory under a stocking program scheduled with our customers. Feralloy plants are conveniently located to supply "just-in-time" our customers with prime steel at competitive prices.

During the past years, Feralloy has invested heavily in new equipment as well as in new plants near San Francisco and Los Angeles. The recent investments have been particularly focused on our objectives to strengthen quality assurance. Because Feralloy is committed to its customers LONG-TERM, investing in quality equipment certainly is part of our success.

During the past thirty years, Feralloy has established the credibility necessary for a supplier to become an integral part of the customers' production operations.

Feralloy has a commitment to customer service and dedication to respond to customer requirements. Supported by the financial strength needed to carry inventory and provide modern facilities, Feralloy has earned an excellent reputation based upon integrity. □

First Boston

CS FIRST BOSTON, INC. is a full-service international investment banking firm serving both suppliers and users of capital around the world. Through its wholly owned

subsidiaries—*The First Boston Corporation* in the Americas, *Financiere Crèdit Suisse-First Boston* in Europe, the Middle East and Africa, and *CS First Boston Pacific* in the Asia/Pacific region—*CS First Boston* provides comprehensive financial advisory and capital raising services and develops innovative financing approaches for a broad range of clients. The Firm employs its own capital resources to trade and underwrite securities. Through another wholly-owned subsidiary, *CS First Boston Merchant Bank*, the firm engages in merchant banking and other principal activities. □

Frankfurt am Main

Germany, with a population of nearly 80 million people and the fourth largest GNP in the world, is one of the leading economies in Europe.

At the heart of Germany's dynamic economy is FRANKFURT AM MAIN, the nation's financial, commercial and distribution center. There are 417 credit institutions in Frankfurt, and more foreign banks than in any other Continental European city—some 267, including 41 American banks.

Frankfurt is also the home of the Deutsche Bundesbank, Germany's central bank, as well as the nation's biggest stock exchange.

It is a city with a highly sophisticated infrastructure providing all the facilities necessary for innovative decision-making: adequate space; comprehensive legal, tax and financial services; the full range of communications capabilities; a highly skilled workforce; vast market potential; the most modern transportation facilities; a business atmosphere that rewards resourcefulness.

Electronics, chemicals, and engineering are the main manufacturing industries. A healthy mixture of manufacturing and service industries combine with the main service sectors of trade, transportation, communication, banking, finance and insurance to comprise Frankfurt's highly diversified economy.

Frankfurt is the economic and distribution center of the Rhine-Main Region, which has a population of nearly 3.6 million and a workforce of 1.9 million. It is one of the largest urban concentrations in Germany and one of the fastesting growing areas of Western Europe.

Finally, Frankfurt is clearly the transportation hub of Germany. Its cental location puts it in the mainstream of the country's efficient air, rail, road, and waterway networks which, in turn, provide direct, fast access to all key domestic, European and overseas markets. □

Messe Frankfurt

MESSE FRANKFURT, LTD., the show host in Frankfurt, Germany, owned jointly by the City of Frankfurt (60%) and the State of Hesse (40%), is responsible for the organization from conception through execution of some of the world's most renowned trade shows and exhibitions. The Frankfurt Fair is more than three times as old as the United States: in 1240, Emperor Friedrich II extended his personal protection to all merchants travelling to the *Messe*, the name evolving at that time out of the word *Mass*, since the merchandise fair was held in the churchyard. With increasing industrialization, the sample fair began to replace the merchandise fair. More recently, the multitude of products and services combined with specialization has resulted in further changes from *universal* and *multi-branch* fairs to today's *special interest* fair. Messe Frankfurt, Ltd., has been and will continue to be a leader in these developments: events such as *Infobase* and *Techtextil* are examples of demand-oriented,

FRANKFURT

WHY COMPANIES ON THE MOVE PREFER FRANKFURT

Companies on the move internationally know that choosing the right locations abroad is a vital element of success.

That's why a large number of corporations from around the world have selected Frankfurt, Germany's financial, distribution and commercial capital.

The city's strategic position, highly developed infrastructure and superior communications and transportation facilities make Frankfurt the obvious choice.

With its large business and banking community, Frankfurt is a city where innovation flourishes and initiative and resourcefulness are rewarded. A place where decision-making comes naturally.

Located in the heart of Europe, Frankfurt provides fast and easy access to a huge and lucrative marketplace: all major Western European cities and newly emerging economic centers in Eastern Europe.

If your company is on the move internationally, take a close look at Frankfurt. Make the first move today by writing for a complimentary copy of our information brochure "Frankfurt. Preferred by decision-makers."

Stadt Frankfurt am Main

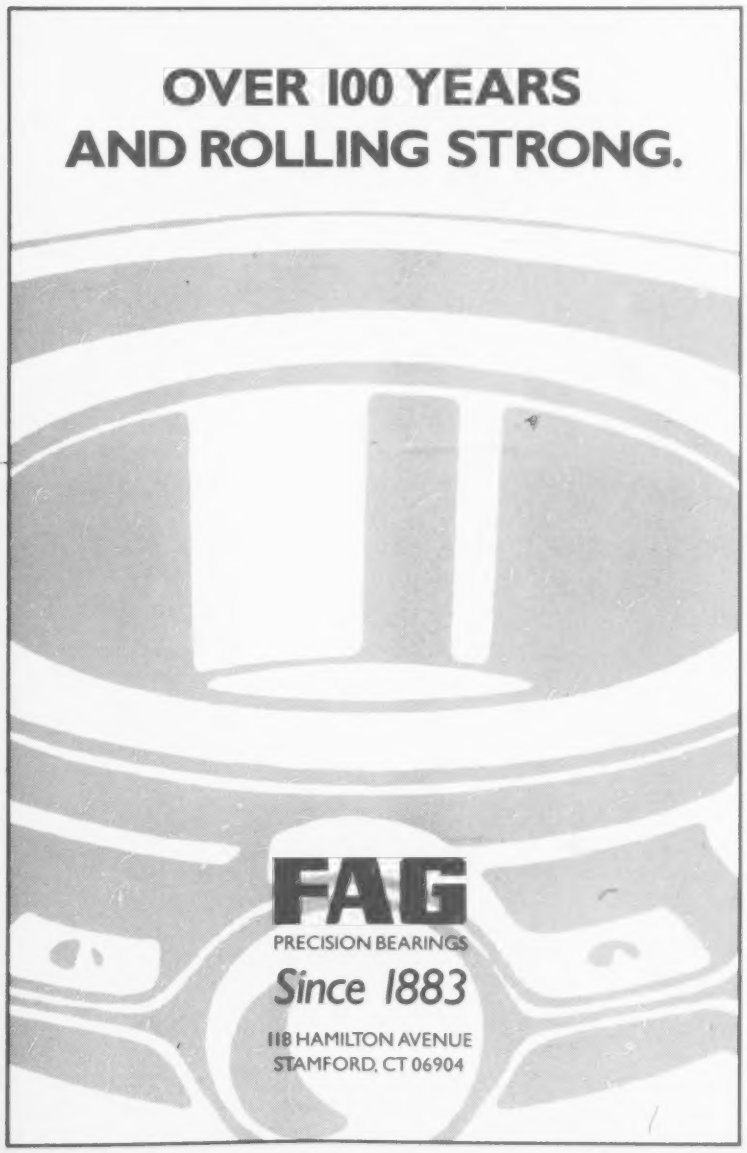
Wirtschaftsförderung Frankfurt
(Department of Economic Development)
Grüneburgweg 102
D-6000 Frankfurt am Main 1 · Germany
Tel.: 69-212 36-226, Telex: D 4170089
Telefax: 69-212 36-230

highly focused fairs.

Messe Frankfurt, Ltd.'s, marketing philosophy is to create new growth possibilities of supply and demand through the subdividing of fair themes, and to access new buyer target groups for exhibitors through the transfer of Frankfurt fairs to Asia. In November 1990, *Interstoff Asia* was hosted for the fourth time in Hong Kong, catering to the fabric, yarn and accessory needs of the local apparel manufacturers. In February 1991, *Heimtextil Asia* will take place in Tokyo, assisting non-Japanese interior textile manufacturers, among them over 30 U.S. exhibitors, in penetrating the Japanese market. The world's largest and most international consumer goods trade show, the Frankfurt International Spring Fair, which was divided into two independent special interest events, *Premiere* and *Ambiente*, was a big success in 1990. The first *Frankfurt International Fair Asia* will take place in April 1991 in Tokyo and expects to host more than 300 exhibitors, mostly from Europe. Because of the high living standard of the metropolis and the growing interest in western luxury goods and European living culture, Tokyo is the right place to make this show a success.

America's favorite German fair ground is in Frankfurt: 40% of all U.S. exhibitors displaying at German trade shows set up booths in Frankfurt. Total U.S. exhibitors in Frankfurt increased four-fold in the last 10 years to over 1,000 in 1988; total visitors rose to about 10,000. American confidence in the city of Frankfurt is also demonstrated in the investment of Tishman/Speyer and Citibank in building Europe's tallest skyscraper on the Frankfurt fair grounds.

Internationalization, specialization, innovation and the city's excellent infrastructure all combine to guarantee an optimal basis for Messe Frankfurt, Ltd.'s, continued success. □



Frenkel & Co. Inc.

FRENKEL & CO., INC. has been a leader in the field of Commercial Insurance and Risk Management for over one hundred years.

We have enjoyed a healthy growth based on a philosophy of being large enough to provide an in-depth approach to corporate insurance problems and small enough to do this on a personal basis. Our many long-term relationships are testimony to the bonds of trust that have been formed through years of dependable service.

Our Risk Management professionals analyze and evaluate exposures to loss and design comprehensive insurance packages specifically tailored to our individual client's needs. We provide safety and fire prevention consulting services. We work closely with our clients to reduce potential loss to property and to personnel. Our Claims Division facilitates prompt and satisfactory settlement of claims. Rounding out the full range of brokerage services are experts in Employee Benefits and Estate Planning.

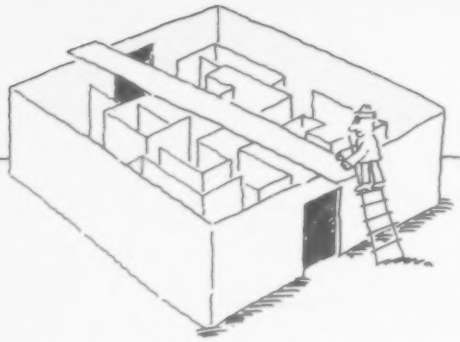
Through a network of domestic and foreign insurance underwriters, we arrange protection at competitive costs for exposures covering all facets of property, casualty, marine insurance and surety.

Insurance requirements of American subsidiaries of German companies require specialized, in-depth knowledge of German business practices, needs, and relationships as well as an understanding of the insurance marketplace in Germany.

We are particularly proud of our association with our many German-American clients. We can work directly with U. S. subsidiaries of a German parent and equally well in conjunction with a captive broker, risk manager or an independent correspondent broker located in Germany.

You can contact us by calling or writing Mr. Martin L. Elkinson, Executive Vice President, Frenkel & Co., Inc., 123 William Street, New York, New York 10038, telephone (212) 267-2200. □

Expect the unexpected.



We are your imaginative and creative partner for your insurance strategy in Germany.
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Gradmann & Holler GmbH
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Insurance coverage remains an essential production factor in modern industry. It results in a reduction of potential risks and allows for professional risk management. The larger and more diversified a modern corporation becomes, the more necessary it is to develop policies which are tailored to the specific requirements of the individual enterprise. Technological progress leading to an increase and a greater concentration of values, as well as changing patterns of risk, compel today's enterprises to constantly adapt their insurance protection to meet these complex and ever-growing risks. Furthermore, corporate structures and activities in many industries have assumed an international dimension. This situation requires professional risk management, as well as an insurer with underwriting expertise and an international network.

GERLING-KONZERN has been a specialized insurer of industrial risks for more than eighty years, breaking ground for others in this field. Because of its innovative power, Gerling-Konzern today is a recognized expert insurer of industrial risks, not only in Germany but worldwide. It provides solutions to all coverage problems of industry and entrepreneurs. With 16 insurance and reinsurance companies, the Group operates worldwide and is represented in 20 countries. Collectively, the Group reported for 1989 a gross premium of DM 7.7 billion (U.S. $4.5 billion), invested assets of DM 21.9 billion (U.S. $12.9 billion) and a total of 9,100 employees.

For more than thirty years the Group has expanded its foreign activities as a primary insurance company and as a reinsurer in all major industrialized countries. Its international structure makes the Gerling organization particularly suitable for the handling of insurance needs of companies with international activities. Local experts in foreign subsidiaries and service companies are familiar with the requirements and customs of the respective markets.

The primary insurance needs of our U.S. customers are managed by:

Gerling America Insurance Company
717 Fifth Avenue
New York, NY 10022
Tel: (212) 752-8900
Fax: (212) 759-4910

Please contact Mr. Lothar Riedle, Senior Vice President, for further information. □

Gradmann & Holler GmbH
Insurance Brokers

THE GRADMANN & HOLLER GROUP with over 750 employees worldwide, is one of the largest service organizations of its kind in Germany. The services provided by the Group include risk management, direct and reinsurance broking as well as pension and cash management consulting.

Established in 1926, the Group maintains fully operative offices staffed with internationally trained personnel in all industrial and commercial centers in Germany, Austria and Switzerland. It is considered to be one of the leading insurance brokers in Europe.

Gradmann & Holler services the insurances of subsidiaries of its clients in more than 80 countries of the world. This is done through its integration in the global network of Marsh & McLennan, Inc., New York, the largest industrial insurance brokers in the United States and worldwide.

Gradmann & Holler provides professional insurance broking services to its many clients all over the United States through the offices of Marsh & McLennan in the U.S. This is being coordinated by the International Department of Marsh & McLennan at:

Marsh & McLennan, Inc.
1166 Avenue of the Americas
New York, New York 10036
USA
Telephone: (212) 345-6000
Telex: 023 22 59 91
Telefax: (212) 345-4811
(212) 345-4812 □

HLT

The HLT group of companies, responsible for promoting business in Hessen, consists of the Wirtschaftsfoerderung Hessen Investitionsbank AG Hessische Landesentwicklungs- und Treuhandgeselischaft, and the HLT Gesellschaft für Forschung Planung Entwicklung mbH.

For over 25 years, HLT as the official body responsible for promoting business in the state of Hessen has been assisting investors from within Germany and abroad to help establish successful operations in Hessen. The service offered for the promotion of the economy in Hessen and provided by the Investitionsbank AG, an institution with special tasks of this kind, is both confidential and free of charge.

The Investitionsbank AG with its economic promotional program deals with applications for state financial aid and administers state

loans. This also includes financial assistance in the case of technological developments and where modern environmental techniques are applied. Favorable terms can be offered in such cases.

HLT runs an information office, an EC advisory center, and at the Airport-Center in Frankfurt a business information service which furnishes information from data banks on research, technology and business to assist small and medium-sized companies. In addition to technology transfer agencies at the universities in Hessen, these data banks are found to be of considerable advantage for business in the state.

The associate company, HLT Gesellschaft für Forschung Planung Entwicklung mbH, carries out business research and regional studies and at the same time assists companies in decisions affecting the setting up of new businesses or relocating them. Their principal activities concern long-term forecasts and analyses of different branches of industry and commerce. □

HANIEL

HANIEL is an internationally engaged service group. Ten divisions operate autonomously in their respective markets, controlled by the holding company Franz Haniel & Cie. GmbH. 235 years after its founding, Haniel employs approximately 23,000 people worldwide.

Services with a quality guarantee form the overall concept of the various businesses: pharmaceutical wholesale and production of generic drugs, mail order distribution, express delivery service, liner shipping, recycling and processing of raw materials for the stainless steel industry, washroom service and supplies, environmental restoration, inland shipping, production and wholesale of building materials, food wholesale and retail in the United States.

Sales in 1989 amounted to DM 13.8 billion (1988: DM 12.7 billion). Net profit after tax rose to DM 270 million (DM 134 million). Cash-flow increased significantly, growing from DM 373 million to DM 608 million. After a dividend payout of DM 36 million (DM 24 million), the firm's profit traditionally is retained to strengthen its equity capital base (31 percent of the balance sheet total of DM 4.4 billion).

In the financial year 1990, Haniel has budgeted over DM 700 million for investment with a view toward systematically supporting an expansion of its markets, at home, especially in East Germany, and abroad. □

Hapag-Lloyd

This year HAPAG-LLOYD AG, one of the world's largest shipping companies, celebrates its 20th Anniversary. The Hamburg Bremen-based company is represented in the United States by its North American subsidiary, Hapag-Lloyd (America) Inc., New York City.

Though they are indeed proud to have completed 20 years of service, the heritage at Hapag-Lloyd goes back to the days of sailing ships. And as for celebrations, both the Hamburg-American Line (HAPAG), founded in

HESSEN

PLUG INTO EUROPE

Hessen, Germany's most centrally located federal state, is a preferred location for companies seeking to conduct business profitably in the lucrative German and other European markets.
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For complete information, please contact
The HLT Group Hessen
Abraham Lincoln Strasse 38 - 42 · D 6200 Wiesbaden · Germany
Telephone (611) 774 0 · Telex 4 186 127 · Telefax (611) 774 265

HLT Economic Development Hessen

1847, and North German Lloyd, founded in 1857, have each separately toasted milestone 50 and 100 year anniversaries.

But the sum for these twenty years as a joint Hapag-Lloyd entity adds up to much more than twenty years of success. The strategic consolidation and streamlining at the beginning of the 1970's was followed by another belt-tightening and fat trimming program in the early 80's. The events and achievements of each of the last twenty years have brought Hapag-Lloyd closer to its goal: to provide the most advanced network of transport services on the sea, land, and air...and to do so on a sound financial basis.

With its heritage on the sea, the birth of the new company came at a time when containerization was also in its infancy. Indeed, the merger of Hapag and North German Lloyd was brought about as a result of the high capital investment needed to convert to containerization. Both Hapag-Lloyd and containerization grew together to be strong and healthy in the past 20 years.

Before the 70's even began, Hapag and North German Lloyd had engaged in the first fully containerized service on trans Atlantic routes under the trade name Hapag-Lloyd Container Line. By 1978, the first generation containerships of the late 1960's yielded to newer, more modern 1758 teu vessels to meet the demand for additional cargo space. Then in 1985 these four vessels were jumboized by adding a mid-section, thereby increasing their capacity to 2486 teu's. Hapag-Lloyd's containership fleet, which began as four in 1968, today stands at 19.

Hapag-Lloyd travel organization, called Hapag-Lloyd Reisebuero, today operates with 77 travel agencies throughout the Federal Republic of Germany, including Berlin, Austria, Luxemburg, Switzerland and the United Kingdom. All aspects of corporate and private travel services are offered. Growth of this sector of North America is reflected in the establishment of Hapag-Lloyd Travel (America) Inc., with travel agencies in New York, Atlanta, Charlotte, Chicago, Hackensack, N.J., Philadelphia and Great Neck, Long Island, N.Y.

To meet the demand for larger cruises and more exotic destinations, Hapag-Lloyd introduced a new "Europa" in 1979. The old Europa, which had served more than 170,000 passengers for over a decade, was phased out of operation.

On the land, Hapag-Lloyd has made great inroads since 1970. Where overland container movement was in its early stages at the beginning of the decade, Hapag-Lloyd has made true door-to-door service a reality. Through the effective use of container pools, shipping agents and inland container coordinators, today Hapag-Lloyd has containers totalling around 100,000 TEU's in operation worldwide.

Throughout the past 20 years in Europe, Deutscher Container-Dienst (DCD) has coordinated inland container movements by truck and rail.

Hapag-Lloyd begins the last decade of the twentieth century with confidence in its ability to compete and with moderate optimism in the long-range economic outlook. □

Henkel

HENKEL CORP. provides the right chemicals and services to manufacturers in almost every industrial sector, to help them improve their products and ultimately serve consumers better. Headquartered at Gulph Mills, PA, Henkel Corp. and its business groups are dedicated to contributing to the success of their customers.

As the leader in the pre-treatment of metal and other surfaces, our products and services insure that auto chassis, food and beverage containers, household appliances and other items resist corrosion and remain attractive.

We are the leading manufacturer and innovator in oleochemicals and their derivatives, which are made from natural, renewable raw materials. Our oleochemicals help soaps, cosmetics, detergents and other cleaning products do a better job without skin irritation. And our exciting, new alkyl polyglycosides, APG Surfactants, increase the effectiveness of detergents, other cleaning products and personal care items in an environmentally sound way. And, as the premier supplier of natural-source vitamin E, we promote good health.

We have achieved leading market positions with our organic specialty chemicals: synthetic lubricants; plastic additives and plasticizers; polymers and epoxy curing agents. Our treatment chemicals make leather and textiles more appealing and last longer, and make paper manufacture more efficient. Our advanced coatings technology makes utensils, appliances and food and beverage containers safer and more attractive.

We have the capabilities to serve our customers. With many strategic locations in North America, we can work closely with customers to supply the chemicals and services when and where they are needed. To support our customer-oriented role, we conduct research and product development at our business groups, and we operate a modern R&D center at Ambler, PA.

Henkel Corp. is part of the worldwide Henkel Group, headquartered in Duesseldorf, West Germany. With about 160 companies in 55 countries, the Henkel Group is a leading manufacturer of consumer personal-care and cleaning products, adhesives and oleochemicals. In all, the Henkel Group has about 11,000 products and worldwide sales of about $7 billion.

The Henkel Group is family-owned, with a tradition going back to its establishment in 1876 of serving its customers' needs with consistently improving levels of quality. The worldwide resources of the Henkel Group in research, product development and service actively support the Henkel Corp. □

Helaba Frankfurt
Hessische Landesbank -Girozentrale

HELABA FRANKFURT ranks among Germany's major banks with total business volume in excess of DM 82 billion at the end of 1989. Headquartered in Frankfurt, Germany's financial center, the Bank is one of the largest issuers of bank bonds and notes with a total of more than DM 31 billion outstanding. Helaba's Eurobonds have been rated AAA/Aaa by Standard & Poor's Corporation, Moody's Investors Services and IBCA Banking Analysis. Its US-Commercial Paper as well as its Euro-CD-program have been rated A1+P-1.

The Bank concentrates on wholesale financial services offering comprehensive banking facilities for multinational corporations, central banks, public sector entities, and other financial institutions.

Helaba Frankfurt has branch offices in London, New York and Grand Cayman and wholly-owned subsidiaries in Luxembourg and Amsterdam (Helaba Finance B.V., Amsterdam).

The bank's international service facilities include:

- International financing with special emphasis on medium- to long-term fixed-rate loans as well as short- and medium-term Euro-loans to German customers abroad and multinational corporations in Germany.
- Export financing, including long- to medium-term export financing at fixed interest rates, short-term import and export financing at domestic and Euromarket rates as well as *à forfait* transactions.
- Foreign commercial business, comprising international payments, clean and documentary collections, letters of credit,

letters of guarantee and foreign trade financing.

- International capital market activities including Eurobond issues, lead-management of bond issues of the state of Hesse, participation in national and international stock and bond syndicates, trading in bonds and notes, equities brokerage service, including investment counselling for national and international investors.
- Marketmaking in spot and forward-foreign exchange for its worldwide correspondents, dealing in Eurocurrency deposits, future rate agreements, options and interest rate futures, currency and interest rate swaps.
- A full advisory service for the Bank's corporate customers and the Hessian Savings Banks in all foreign exchange and Eurocurrency deposit related products. □

HILLE & MÜLLER is one of the leading cold rolling mills in the world. The company employs more than 2,200 people in 6 works in Germany and in the United States of America. Among the regular customers in many parts of the world are companies of different industrial branches, such as household industry, motorcar industry, electrical industry or construction industry.

Our range of products is, in the first instance, determined by cold rolled steel and by cold rolled steel strip electrolytically plated or clad with non-ferrous metals. The nonferrous metals we are using are nickel, chromium, brass, copper, tombac, zinc and aluminium .

The aim of the company is to produce quality of the highest demands. Hille & Müller and the associated companies are well known as producers for cold rolled steel strip and electrolytically plated cold rolled steel strip with bright glossy surfaces and closest tolerances. The application of our materials helps to save heavy expenditure on piece-part plating or purchase of solid non-ferrous metals. During the almost 100 years of its existence, many new products have been developed by our company. The know-how collected during that time and the constant increasing of our production programme provide the answers to the problems and requirements of the metal working industries.

Within Hille & Müller innovation teams up with tradition. The company was founded in Grosβchoenau/Sudentenland, where, in 1885 the first mill was established. Already in 1895 the founders of the company, in the previous Porschdorf works near Dresden, successfully performed surface finish of sheets. Another mill was founded in 1905 in Duesseldorf-Reisholz, where today the headquarters of the group is located.

Another important date within company history is the year 1974, when Hille & Müller extended their field of operation over the Atlantic and took over Rafferty-Brown, Waterbury, Connecticut, USA. This proved to be an important step. Only one year later the Thomas Steel Strip Corporation, Warren, Ohio was acquired, which is a mill with a product and market structure similar to that of the main works.

The purchase of the Westfalia GmbH in Hilchenbach in 1976 was made in an effort for diversification and in order to open a door into metal working. The Trierer Walzwerk GmbH, Trier, which primarily is producing clad cold rolled steel strip with non-ferrous metals, was bought in 1982, completing our line of products.

With works in Germany and in the USA, the Hille & Müller organization possesses the most modern production facilities. A worldwide sales network assures direct presence in the most important markets. □

HOESCH

HOESCH was founded in 1871 as an iron and steel mill. Today Hoesch AG is a major force in the world of steel manufacturing and coating, the manufacturing of industrial equipment, trading and service operations, automation and systems engineering. One of Germany's leading companies, its turnover in 1989 totalled DM 15.9 billion. Its workforce now totals 52,000. The company exports to all parts of the world.

We support free world trade—as the world is our market. This commitment is a principle of our group philosophy.

Within the framework of our international strategy, we own a broadly based network of manufacturing plants and trading companies, both at home and abroad—such as in the United States of America.

Rotek Inc., Aurora, Ohio is a manufacturer of bearings, seamless rolled rings and carriage parts, as well as closed die forgings, which are sold to equipment manufacturers of cranes, excavators, dredgers, railway turntables, rotary furnaces, material handling equipment and similar heavy-duty equipment.

Hoesch Tubular Products Co., Baytown, Texas is engaged in the upsetting, heat treating and threading of oil country tubular goods. The plain end tubular goods in sizes 2⅜" through 13⅜" are manufactured at the Hoesch pipe mill in Germany, imported into the U.S., finished at Hoesch Tubular Products and sold in the U.S. for oil drilling.

Hoesch America, Inc., Atlanta, Georgia has played a significant role in international trade since 1957. The delivery program consists of a variety of steel products, such as hot and cold rolled flat products, structurals, pipe and tubing, as well as manufactured goods from our processing divisions. Part of Hoesch America's world wide trading activities includes export from the USA.

Hoesch—a group of companies operating worldwide. □

PHILIPP HOLZMANN
Aktiengesellschaft

The company was founded in Germany more than 140 years ago and has been active in all areas of construction continuously since that time. Soon after HOLZMANN's formation, the company opened branches nationally and began construction activities overseas. In 1917 the company was incorporated with a controlling interest of the Deutsche Bank AG.

During recent years Holzmann has developed into a diversified conglomerate by establishing and acquiring German and foreign holding companies. In addition to the traditional general construction work, the main areas of activity are systems engineering, building finishes, civil engineering, road construction, energy and environmental technology, equipment installations and maintenance and operation of facilities.

Headquartered in Frankfurt am Main, the financial center of Germany, Holzmann maintains its domestic branches and the overseas activities from there. In addition to these offices, Holzmann has its own companies in many countries throughout the world, including Australia, Finland, France, Austria, Great Britain, Italy, Liberia, The Netherlands, Saudi Arabia, Switzerland, Spain and South Africa.

In the United States, Holzmann is represented by Philipp Holzmann USA Ltd. and its subsidiary, Jones Group, Inc., both located in Charlotte, North Carolina. Lockwood Greene Engineers, Inc., another Holzmann affiliate, is based in Spartanburg, South Carolina. Both U.S. companies are

represented with offices in major metropolitan centers throughout the country.

A number of Holzmann's American operating companies, J.A. Jones Construction Company, Crow Construction Company, Chas. H. Tompkins Co., Metric Constructors, Inc., and Tiber Construction Company operate as both general contractors and construction managers. They offer, together with the other Jones Group companies, a diversified program for buildings and installations; real estate services, including building management and project development; and lignite mining as well as technical support and training for the power industry.

Lockwood Greene Engineers, Inc. specializes in design and engineering of industrial installations and buildings, offering complete service packages which also include the applicable production processes and material handling.

In 1989 the total revenue of the Holzmann Group was 7.755 billion Deutsche Mark of which 3 billion Deutsche Mark was contributed from the U.S. operations.

A total turnover of approximately 9 billion Deutsche Mark is expected for 1990. □

hüls

HÜLS AG, one of Germany's largest chemical companies, is a major manufacturer of basic and organic chemicals, thermoplastics, elastomers, silanes, and raw materials for surface coatings.

The Hüls group of companies employs 38,000 people and its collective annual revenues are nearly $7.5 billion.

Hüls has steadily pursued its objective of growth, product and geographical diversification, particularly in areas where it holds technological, raw material, manufacturing or marketing advantages.

This objective is being fully realized in the United States where Hüls' presence has grown significantly in the past few years. Today, sales in the U.S. represent about 15% of Hüls' total revenues, a percentage expected to increase markedly as Hüls continues to invest in its various U.S. operations.

Noteworthy is the $100 million being spent to build a new chemical plant at the company's 160-acre site in Theodore, Alabama. Scheduled to come onstream in late 1991, the plant will produce a proprietary group of isophorone derivatives for coatings, adhesives and sealants.

This facility is part of Hüls America Inc., which produces chemicals, plastics, coatings and specialty processing materials.

Hüls America Inc. serves a broad based network of growing industrial markets with both domestic and imported products. These include colorants, coatings additives and raw materials, calendered and extruded plastics, stearates and plastics additives, specialty chemicals, silanes and silicones, and synthetic lubricants.

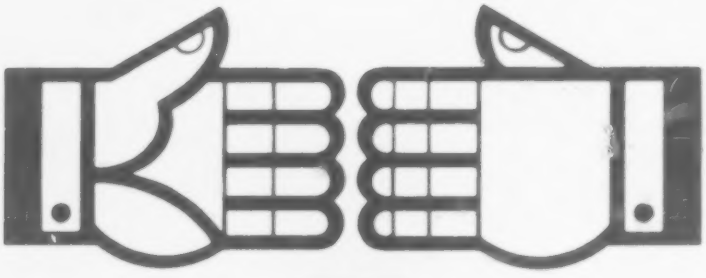
With annual revenues of approximately $500 million, Hüls America employs 1,400 people at 12 plants throughout the U.S. and Canada.

Another U.S. business of Hüls is conducted by MEMC Electronic Materials, Inc. headquartered in O'Fallon, Missouri. MEMC is one of the world's leading manufacturers of silicon wafers for the semiconductor industry, with annual sales of almost $400 million worldwide and manufacturing sites in the U.S., Italy, Japan and Malaysia. The MEMC groups of companies employs about 4,700 employees, of which 2,500 are in the U.S.

Additional U.S. businesses of Hüls are conducted by Rohm Tech, Inc. and Rohacryl

If you need insurance for your German-American business, we'll give you a hand.

Because we know German-American business like the back of our hand.



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Frenkel & Co. Inc.

International Insurance Brokers Since 1878

123 William Street New York, New York 10038 (212) 267-2200

Inc. and include a 50/50 joint venture with American Cyanamid, known as Cyro Industries.

Hüls, a 100% owned subsidiary of VEBA AG, serves as the hub for VEBA's chemical activities.

VEBA has diversified holdings, primarily in the area of energy generation, oil, trading and transportation, and chemicals. Employing more than 100,000 people, VEBA's annual revenues exceed $30 billion. □

INA BEARING COMPANY, INC., the second largest needle bearing manufacturer in the United States, is part of a worldwide organization known for the quality and advanced technology of its needle roller and other anti-friction bearings.

From its small beginnings in 1946, the company has grown rapidly by pioneering scores of new products. INA Needle Roller Bearings have provided designers in many industries, particularly the automotive and machine tool industries, with a solution to their problems.

Over the years, the original range of INA Needle Bearings has been extended to encompass a much wider variety of rolling bearings. These include bearings for both light and heavy duty applications, as well as bearings for rotary and linear motion.

Today, more than 23,000 INA employees throughout the world produce over 45,000 different types of rolling bearings, of which a high number are made to customers' individual requirements. Specifically, our product line includes a large variety of unit cages, shell bearings, needle roller bearings—radial and thrust, combination bearings, precision ground bearings, ball bearings, linear motion bearings and slewing rings.

INA Rolling Bearings are manufactured in 26 plants worldwide. A network of 24 INA companies and 30 agencies provide reliable service and excellent communication with our customers.

All worldwide market research, together with production and application experience, is collated at the parent company in Herzogenaurach near Nuremberg. Thus, a continuous interchange results between the various INA locations and ensures that the latest technology is shared worldwide. This is reflected in the advanced state-of-the-art of all INA products.

In the United States, INA Bearing Company, Inc. was incorporated in September 1969. Today, INA operates five manufacturing plants in South Carolina. Corporate Offices are located just outside Charlotte, North Carolina, in Fort Mill, South Carolina:

INA Bearing Company, Inc.
308 Springhill Farm Road
Fort Mill, SC 29715
802/548-8500 □

JAUCH & HÜBENER
INSURANCE BROKERS

JAUCH & HÜBENER, founded in 1919 in Hamburg, today ranks among the leading insurance brokers in Europe. The privately held partnership has more than 950 employees in Germany, Austria, Switzerland and Hungary.

Apart from the employees of the international departments in Hamburg, Muelheim, Frankfurt and Munich, Jauch & Hübener has German representatives in New York, Bangkok, Singapore, Sao Paulo and Caracas.

The international departments are staffed with specially trained employees, all of whom have gained experience overseas.

Jauch & Hübener is a member of UNISON, a worldwide network of independent insurance brokers. In the United States Jauch & Hübener with its representative works through Johnson & Higgins, one of the largest insurance brokers, with over 50 offices throughout this country.

Johnson & Higgins has established a team within the New York office focussing on the specialized requirements of German investors throughout the United States. Today Johnson & Higgins together with Jauch & Hübener services in excess of 100 German subsidiaries in the United States.

Jauch & Hübener's representative in New York, Ms. Corinna Kratz, complements the activities of this team and can be reached at:

Johnson & Higgins
125 Broad Street
New York, NY 10004
Tel. No.: (212) 574-7765
Telex: 6720134
Telefax: (212) 574-8993 □

KARINA

The KARINA Group of Companies is aggressively assembling a vertically integrated group of eastern German companies, active in the fields of land acquisition, property development, construction, building supply, and property management. Karina's strategy is to participate in the significant economic growth that will occur in the eastern German construction and real estate development industries over the next ten years.

Karina Investment Banking, Inc. is leading the effort to attract American capital sources and joint venture partners to invest and participate in the rebuilding of eastern Germany. From its U.S. headquarters in Orlando and through German offices in Bremen, Rostock, Potsdam and Schwerin, Karina is also pursuing the acquisition of choice properties for commercial development. Karina Investment Banking is offering investors the opportunity to participate in specific joint venture projects, involving office, retail, hotel, residential and industrial developments.

The Karina Group of Companies is also one of the largest distributors of U.S. commercial real estate in the German and Swiss investment markets. Karina's real estate professionals in the United States provide valuable expertise in selecting and packaging commercial real estate opportunities for institutional, individual and contractual saver investors. Through the use of specially-designed structures, Karina's offerings meet the complex international tax planning needs of its investor clients. Typically, Karina's offerings are relatively conservative, involving 50% equity, and long-term, triple net leases with major credit tenants. Karina is confident that the demand for its successful American real estate products will continue to grow over the long term.

The Karina Group of Companies creates intelligent financial products for the placement of investment capital in the American and German markets. Karina Investment Banking invites the investing public to utilize the professional expertise of the Karina Group to participate in the ever-growing German and American capital markets. □

KEMPINSKI
HOTELS

In response to rising international demand for Grand Hotels in the great European tradition, KEMPINSKI has started a global expansion program that envisages Kempinski Hotels in key cities throughout the world.

Hotels of the Kempinski family cater to a clientele treasuring the classic flair and gra-

KARINA®

The KARINA Group of Companies is one of the largest distributors of American commercial real estate in the German and Swiss investment markets. KARINA designs investment vehicles to meet the tax planning needs of its institutional, individual and contractual saver investors. KARINA remains dedicated to offering successful American real estate products through its offices and representatives in Germany and Switzerland.

The KARINA Group of Companies is also offering the success of the newly reunified Germany in America. Through its acquisition of companies and properties in eastern Germany, KARINA is creating diverse and unique opportunities for Americans interested in the emerging construction and real estate industries and in property investment and joint ventures.

KARINA INVESTMENT BANKING, INC.

United States Headquarters:
1870 Aloma Avenue, Winter Park, FL 32789
Tel: (407) 645-5622 Fax: (407) 740-5537

Paul Camp Lane – Senior Vice President – USA

Atlanta – Basel – Bremen – New York – Orlando – Potsdam – Rostock – San Francisco

cious Old World hospitality of the four great Kempinski Hotels in Germany, their charm of bygone days linked with contemporary comforts and amenities in prime locations.

At *The Mansion Kempinski Bangkok* travelers will find a quiet yet central location with a modern business center.

The *Leela Kempinski Bombay* offers the idyll of a country estate in India's largest seaport city.

In the heart of the Argentine capital, *life a là Kempinski* now awaits the traveler at the *Hotel Libertador Kempinski Buenos Aires*.

At *The Grand Kempinski Dallas*, travelers to the commercial capital of the American Southwest find a home away from home combining continental luxury and lifestyle.

One of the largest and best equipped hotels in the British Crown Colony is the *Hotel Furama Kempinski Hong Kong*.

The only Grand Hotel directly on the Bosporus—the *Ciragan Palace Hotel Kempinski Istanbul*—is joined with the reconstructed Ottoman *Palace of the Torches* (Ciragan in Turkish).

At the very center of Chile's capital is the exclusive *Hotel Plaza San Francisco Kempinski Santiago*, featuring 110 luxurious rooms and suites.

Meticulous attention to detail and consummate European style distinguish the *Sutton Place Hotel Kempinski Toronto*, prominently situated downtown.

Popular with American tourists and business people is Munich's *Vier Jahreszeiten Hotel*. Staying here in the heart of King Ludwig II's domain between Hofbraeuhaus and Residenz is an American dream.

In Berlin, Germany's leading cultural center, the prestige address is the *Bristol Hotel Kempinski* on the Kurfuerstendamm—long the No. 1 choice of show-biz and political personalities from the U.S.A.

Hamburg's *Atlantic Hotel Kempinski* debuted in 1909 for passengers of the great transatlantic luxury liners. Now Americans are rediscovering Hamburg—as the modern-day continental capital of opera and ballet, and the gateway to Scandinavia.

The *Hotel Gravenbruch Kempinski Frankfurt* has the oldest heritage. A one-time manor house, Gravenbruch was first mentioned officially in 1486—six years before Columbus discovered America. Only minutes from Frankfurt Airport, with easy access to Romantic Germany's top tourist attractions, this hotel has preserved the relaxed atmosphere of a fine old country estate.

Added convenience: as Lufthansa affiliates, all Kempinski Hotels can be booked together with the flight at any Lufthansa German Airlines reservation point. Or through Kempinski's New York office at 1640 Hempstead Turnpike, East Meadow, NY 11554 (Tel: 516-794-2670/2671 or 800-426-3135 toll free). □

Klockner MOELLER

Industrial Electrical/Electronic Controls & Systems.

KLOCKNER-MOELLER CORPORATION, a subsidiary of the Klockner-Moeller GmbH, headquartered in Bonn, is a recognized worldwide leader in the production of low voltage industrial electrical/electronic controls and systems. Combining over 90 years of experience with state of the art engineering techniques plus location in 78 different countries, Klockner-Moeller has established a field network guaranteeing worldwide product availability, service and engineering capability.

The *product range* of Klockner-Moeller consists of a full line of electric and electronic controls for industrial automation such as:

Industrial Electronics, Programmable Logic Controllers
Contactors and Control Relays

Magnetic Starters: Combination & Reduced Voltage
Self-Protected/Combination Motor Starters
Pilot Devices, Indicating Lights
Limit Switches
Rotary Cam Switches
Manual Motor Protectors
Circuit Breakers, Miniature Circuit Breakers
Circuit Interrupters & Fusible Switches
Motor Control Centers
Pump Control Panels
Enclosures: Steel & Insulating

Klockner-Moeller USA has a nationwide network of distributors, sales offices and regional support centers containing everything needed to offer fast, local, expert assistance. Factory locations are in Atlanta, GA; Boston, MA; Charlotte, NC; Chicago, IL; Cleveland, OH; Detroit, MI; Fairfield, NJ; Houston, TX; Los Angeles, CA; Orlando, FL; Philadelphia, PA; San Francisco, CA; Seattle, WA; and Tulsa, OK. □

KOH-I-NOOR RAPIDOGRAPH®

rotring

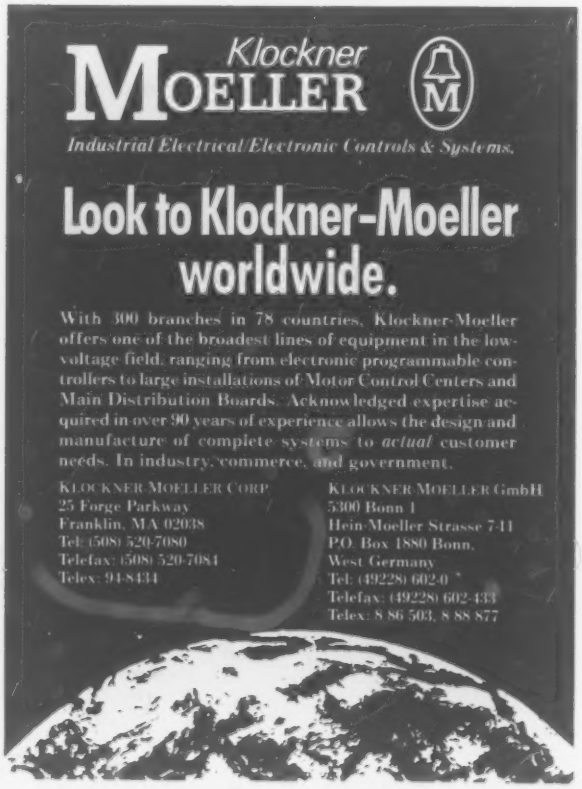
KOH-I-NOOR has its origins in a firm called L & C Hardtmuth, established in 1790 as a provider of high-quality graphite products for artists and designers. The first wood-cased precision-graded pencil produced by L & C Hardtmuth was called Koh-I-Noor, and was introduced in America at the 1893 Columbian Exposition, a celebration in Chicago of the 400th Anniversary of the discovery of America in 1492 by Christopher Columbus.

Today, Koh-I-Noor, with headquarters in Bloomsbury, NJ, is a major manufacturer and distributor of products for technical drafting, plotting, writing and graphic arts for design engineers and artists throughout the United States and Canada.

In 1984, Koh-I-Noor purchased outstanding shares of its stock held by a Hannover, West German firm, making the parent company Rotring-Werke, Riepe KG, of Hamburg, Federal Republic of Germany, the sole owner of Koh-I-Noor Rapidograph, Inc., and its subsidiaries and divisions.

Rotring-Werke, Riepe KG, was founded in 1928, and is the logical parent for Koh-I-Noor since the R&D Divisions of the two companies have worked in close alliance together for many years, even before the merger.

Rotring markets finest-grade products for the design-engineering and graphic-arts markets in more than 120 countries around the world, and now in North America through Koh-I-Noor's distribution network. The firm manufactures in new facilities in Hamburg, producing a full range of technical pens and writing instruments, templates, triangles, electronically controlled lettering and plotting equipment, and other precision products for its specialized markets. □


Klockner
MOELLER
Industrial Electrical/Electronic Controls & Systems.
Look to Klockner-Moeller worldwide.
With 300 branches in 78 countries, Klockner-Moeller offers one of the broadest lines of equipment in the low-voltage field, ranging from electronic programmable controllers to large installations of Motor Control Centers and Main Distribution Boards. Acknowledged expertise acquired in over 90 years of experience allows the design and manufacture of complete systems to *actual* customer needs. In industry, commerce, and government.
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Franklin, MA 02038
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Telefax: (508) 520-7084
Telex: 94-8434
KLOCKNER-MOELLER GmbH
5300 Bonn 1
Hein-Moeller-Strasse 7-11
P.O. Box 1880 Bonn,
West Germany
Tel: (49228) 602-0
Telefax: (49228) 602-434
Telex: 8 86 503, 8 88 877

KPMG Peat Marwick

KPMG Peat Marwick is the U.S. practice of KPMG (Klynveld Peat Marwick Goerdeler), the leading international firm of accounting, auditing, tax and management consulting services in the U.S. and, in concert with other KPMG member firms, throughout the world. With its access to KPMG's unrivaled multinational network, KPMG Peat Marwick's reach and market share is second to none. KPMG currently operates over 700 cities in 120 countries worldwide, and employs over 75,000 professionals worldwide. One third of those professionals are located in North America and one third are located in Europe. In the Federal Republic of Germany, the KPMG Deutsche Treuhand Group has over 4,000 professionals and support staff.

KPMG Peat Marwick combines its geographic reach with functional expertise to address the business needs of many types of industries. This is especially important as increasing numbers of European firms establish plants and distribution centers in the U.S. to take advantage of the robust economy. The increasing European involvement in the U.S. will take on new dimensions as the European Community drops trade barriers among its member countries as part of the process. KPMG is uniquely positioned with

leading firms in Europe and North America to help clients with businesses on both sides of the Atlantic. Our new East European offices in the key East European countries offer our clients strong support in these new areas.

Several years ago, KPMG Peat Marwick formed its German practice which now comprises more than two dozen qualified German nationals, including both certified public accountants and tax professionals. Individually, and using the worldwide resources of KPMG, our German practice offers clients a full spectrum of general business, financial, tax and legal advisory services. Today the KPMG German practice serves an average of 200 clients annually, including prominent industrial firms, insurance companies, and banks. While most of these clients are subsidiaries of German companies, several are U.S. firms considering investment in Germany.

Clients turn to KPMG with increasing frequency for advice on a host of matters including those related to acquisitions and investments in both parts of the united Germany and the United States. Our professionals are able to evaluate and explain the business implications of the two countries' differing accounting, tax and legal systems. Working with a team of U.S. and German professionals, we take an active role in every phase of the investment process, from developing negotiation strategy to shaping the transaction's terms. Our expertise in performing due diligence reviews and appraisals is of special importance to West German companies who are unfamiliar with the U.S. market. The conversion of financial statements according to German accounting legislation for German consolidation purposes is another area of our expertise.

The Germany practice also provides valuable assistance to German companies and other interested parties through information and educational programs. These include seminars on accounting and tax laws, held in Germany as well as the United States. The German practice also publishes a quarterly newsletter, in German, on current U.S. accounting, audit and tax develolpments. Our subscribers include German executives of U.S. subsidiaries of German companies, as well as executives of companies in Germany.

To learn how Peat Marwick might be able to help your company with its particular business needs and to subscribe to their newsletter, please contact either:

Dr. Hans Saur
(212) 909-5745
Mr. Juergen Tschesnok,
management consulting
(212) 872-5704
Mr. Hans Flick, tax consulting
(212) 872-6684
KPMG Peat Marwick
Germany Practice
767 Fifth Avenue
New York, NY 10153 □

KRUPP

Renowned worldwide for excellence in many spheres of industrial activity, the FRIED. KRUPP GMBH group of companies belongs to the 15 largest industrial concerns in the Federal Republic of Germany. As a German partner in American growth since 1948, Krupp has a longstanding commitment in serving the U.S. market.

Krupp operates many subsidiary companies in the USA:

- Krupp Industries, Inc., headquartered in Bridgeville, Pennsylvania, has offices in Baltimore, Maryland and Houston, Pennsylvania which offer a wide range of plant and equipment including: mining and bulkhandling systems, size reduction machinery, systems engineering, mechanical parking systems, mobile cranes.
- Krupp Atlas Elektronik (KAE) Division, located in Clark, New Jersey, serves the marine market with radar and collision avoidance systems, shiphandling simulators and echosounders. The KAE Division also offers highly specialized hydrographic survey and research systems and advanced electronics for the fishing industry.
- Krupp Plastics and Rubber Machinery Inc., located in Edison, New Jersey, offers advanced extrusion blow molding plastic machinery, stretch blow molding plastics machinery for PET containers. In addition, its Rubber Division, located in Kent, Ohio, supplies rubber and tire machinery.
- Polysius Corporation of Atlanta, Georgia offers the latest technology available to the cement and mining industries in the North American Market.
- Krupp Wilputte Corporation, located in Bridgeville, Pennsylvania, has a wealth of experience in the design and construction of coke-oven plants, high-temperature hot blast stoves, sinter plant, coal by-product and gas treatment facilities, auxiliary machinery, gasification plant for solid and liquid fuels, and pollution control equipment.
- Krupp MaK Diesel Inc., located in Glenview, Illinois, markets the product lines of Krupp MaK, Kiel, West Germany: mainly marine diesel engines and diesel generating sets.
- Werner & Pfleiderer Corporation, located in Ramsey, New Jersey, offers the American market machines, systems and complete plants for:
  Plastics technology
  -for the continuous production, compounding and pelletizing of all thermoplastic and thermosetting materials
  Rubber mixing and processing technology
  -for continuous and discontinuous mixing and kneading processes and the production of moldings.
  Food extrusion
  -for the production of snacks, cereals, licorice and fruit gums.
- Midwest Werner & Pfleiderer, Inc., Topeke, Kansas:
  -Rubber processing technology.
- G + H Precision Machinery, Wayne, New Jersey:
  -Rubber processing technology.
- Gemini Bakery Equipment Co., Philadelphia:
  -Bakery technology.
- Krupp Widia Corporation, located in Livonia, Michigan, markets Widia tungsten carbide inserts and tool holders for metal cutting applications. In addition, its Urbana, Ohio subsidiary, Ultra-Met, manufactures a complete line of tungsten carbide blankes which are marketed to fabricators. Another subsidiary, Dentex Research Development Corporation, Long Island City, New York, with its division Neoloy Products, Corp., Posen, Illinois, makes dental products under the umbrella of Krupp Medizintechnik, Essen, West Germany.
- Krupp Steel Products, Inc., located in White Plains, New York, offers a complete range of carbon, alloy and stainless steel sheets, plates and sections. Forgings are offered in close die and open die to various U.S. industries.

Together these operating companies in the United States have full access to all products and services provided by Fried. Krupp GmbH, and more than 100 subsidiaries worldwide, plus the advantages of local product specialists, service and part technicians, and experienced project management personnel. □

Since its beginning in 1955, LTU has grown into the second largest airline within Germany. From the start, LTU's success in the highly competitive charter business was proven by its service. LTU has upheld its enviable reputation by doing better: better food, comfortable seats and adjustability, thoughtful professional flight attendants and high standards in technical reliability and operations. Travel agents throughout the industry know LTU as an airline of the highest standard.

LTU lists among regular destinations Bangkok and Phuket in Thailand, Mombasa in Kenya, Recife in Brazil, Barcelona in Venezuela, the Caribbean and, of course, our U.S. gateways of New York, Miami, San Francisco and L.A.

During 1989, LTU filed for the scheduled rights to and from the United States with the German government and the U.S. Department of Transportation under an existing bilateral agreement. Scheduled service was initiated May 1st, 1990 to all U.S. gateways. LTU presently operates 10 L1011's, 3 B767's, 11 B757's and will start to receive the first of 6 MD11's during 1991 and 4 A330 aircraft during 1992. With new services and a larger fleet, LTU will fly you to more destinations on a more frequent basis. And with our great service and prices, you will be back for more.

The LTU group consists of airlines, tour operators, a catering and a hotel company, who together in 1989 had an overall turnover of more than 1 billion U.S. dollars. □

Leitner

LEITNER designs and manufactures display systems for exhibitions, merchandising and interior decorating applications with true architectural principles to guide the design stages. These principles are reflected in the function of all Leitner exhibit systems.

This outstanding dedication to principle produces a simple design concept with emphasis on the essential element. From the most extensive structure to the most discrete filigree shelving incorporates this philosophy.

Leitner GmbH sets exceedingly high standards demanding the dynamics of functionality in all of its manufactured exhibit systems. Leitner exhibit systems are planned and engineered with quality that is long lasting and uncommon in the industry. These features have been well acknowledged internationally in the design community, as in 1966, Mr. Burkhardt Leitner, Founder and President, was presented the Busse Longlife Design Award and the "Formbestandig" (stability of form) award from the Stuttgart Center for Design .

Leitner is the name for modular design.

Leitner exhibit systems are capable of fading into the background or forming a dynamic focus by themselves.

The bottom line is a perfectly tailored, flexible solution that is aesthetic, functional and effective in communicating the image suited to your company identity.

Leitner in the U.S.A. is located in Chicago, IL and universally in over 15 countries.

Leitner USA, Inc.
455 East Illinois Street, Suite 561
Chicago, IL 60611
Tel: (312) 464-0500
Toll free: 1-800-544-LUSA □

Lufthansa

LUFTHANSA reported improved results for 1989 with net income of DM 124 million ($72.9 million) for the Lufthansa Group. The result was 25 percent better than the previous year despite negative external factors.

Profit before taxes at DM 267 million ($157 million) also exceeded the previous year's figure, DM 249 million ($143 million). A dividend of eight percent was again paid to shareholders.

Last year, the airline transported 20.4 million passengers and 965,221 metric tons of freight and mail. A new record utilization of aircraft capacity was achieved with a revenue load factor of 67.6 percent and a seat load factor of 66.1 percent. With these figures, Lufthansa remained No. 1 in international scheduled freight traffic and moved up to No. 3 in international passenger traffic.

In 1989, all regions increased their revenues from flight operations with the largest growth rates achieved in the European, Asian/Pacific and North American markets and the lowest in Germany (7.1 percent).

Lufthansa Chairman Heinz Ruhnau emphasized that while the airline had achieved good financial results for 1989, 1990 would be a difficult year for all involved in civil aviation.

Lufthansa achieved revenues of 5.71 billion German marks for the first six months of 1990, a seven percent increase over the same period in 1989 (5.34 billion marks). Total revenue for the Lufthansa Group—the airline and its subsidiaries, which include the charter airlines Condor and GCS, regional carrier DLT, and hotel properties—increased 6.6 percent to 6.2 billion marks.

However, these profit developments were affected by currency shifts, caused by continued weakness of the U.S. dollar and fluctuations in the Japanese yen and British pound, and a sluggish cargo market. On the expense side, the pressure of rising costs continued from increasing personnel, fuel charges and flight delays in Europe. As a result, Lufthansa posted a pretax loss of three million marks for the first half of 1990.

Lufthansa transported 10.46 million passengers between January and June, an increase of 10.6 percent over the same period in 1989. Passenger revenue for the six months increased by 9.9 percent to 4.3 billion marks.

June followed May as another strong month in traffic increases so that the second quarter closed in June with an increase of 26.5 percent in revenue passenger kilometers.

In line with demand, the airline increased the size of its fleet in the last 12 months by 24 for a total of 161 aircraft. In the last six months alone, Lufthansa invested 1.1 billion in aircraft and put a further three Boeing 737s, four Boeing 747s and 13 Airbuses into operation.

The strong growth in Lufthansa's fleet also led to increasing capacity costs. The airline's write-offs, alone, rose in the first six months of 1990 by 128 million marks, or 29 percent, to 527 million marks.

For the third quarter, the carrier expects continued strong growth in passenger sales, and is confident that it will end 1990 with increased revenues and profit. □

MAN AKTIENGESELLSCHAFT, Munich, Federal Republic of Germany, is the holding company of the MAN Group, which is one of the leading European suppliers of capital goods. Group annual sales are DM 18,937 million; exports account for more than 60 percent of this sum. The MAN Group of companies employs 64,000 people.

The MAN Group was formed as a result of a re-structuring of the former GHH Group. In June 1986, M.A.N. Maschinenfabrik Augsburg-Nuernberg AG, Augsburg merged

with the Gutehoffnungshuette Aktienverein AG (GHH, Oberhausen,) to form the new holding company MAN Aktiengesellschaft, based in Munich.

Both Gutehoffnungshuette and Maschinenfabrik Augsburg-Nuernberg can look back on a long industrial history: GHH grew out of the first iron works in the Ruhr area, the economic center of Germany, which started operating under the name of St. Antony at Oberhausen in 1758. M.A.N. was founded in Augsburg in 1840 as a mechanical engineering company. In 1921 a majority share was acquired in M.A.N. by GHH. Over the years, M.A.N. assumed, an increasingly dominant role within the Group. The logical consequence of this long-term development was the merger of the two companies in 1986.

The center of the new grouping under the management of MAN Aktiengesellschaft is made up of the following companies with their numerous associated companies in Germany and abroad forming what is known as the Core Group: MAN Nutzfahrzeuge AG, Munich; Ferrostaal AG, Essen; MAN Roland Druckmaschinen AG, Offenbach; MAN Gutehoffnungshuette AG, Oberhausen; MAN B&W Diesel AG, Augsburg; MAN Technologie AG, Munich; RENK Aktiengesellschaft, Augsburg; Deggendorfer Werft und Eisenbau GmbH, Deggendorf.

In addition, MAN Aktiengesellschaft has major shareholdings in the following Group Companies: SMS Schloemann-Siemag AG, Duesseldorf/Hilchenbach and Schwaebische Huettenwerke GmbH, Aalen-Wasseralfingen.

The MAN Group member companies are actively engaged all over the world in the supply of commercial vehicles, machinery and plant construction, and trading. Their high-tech products and services are geared to satisfy virtually every demand in the fields of transport engineering and materials handling, printing and communications engineering, the chemical and petrochemical as well as basic industries, the power generating sector, and in environmental protection. □

Melitta®

Melitta North America Inc., a subsidiary of the Melitta Group in Minden, Germany, is the holding company for all the parent company's investments in North America.

The Melitta Group, as we know it today, owes its origins to the inspired invention of Melitta Bentz, a housewife, who in 1908 was granted a patent for a new method of brewing fresh coffee using paper filters. T[illegible] small family business expanded rapidly and the first pack of filter paper with the red and green colors, which have remained the unmistakable hallmark of Melitta, appeared in 1925.

Three divisions comprise Melitta North America. They are the two consumer products companies, Melitta USA Inc. (headquartered in Cherry Hill, but also responsible for the export business into Central America) and Melitta Canada Inc. (headquartered in Toronto); and Porta Holdings Inc., a real estate concern based in Tampa, Florida. With the exception of Porta Holdings Inc., Melitta's business activities in North and Central America are concentrated on products for the discerning coffee drinker. The range of products marketed under the *Coffee Perfection* slogan enjoy a high reputation for quality among North and Central American consumers. The consumer product line includes a full range of household and institutional coffeemakers (automatic drip and non-electric), coffee filters, extra-premium coffee and accessories.

The mission of Melitta North America—one that will take it well into the 90's—is to become a major source of growth and long term profit potential for the Melitta Group. □

Melitta®

COFFEE PERFECTION™

At Melitta, coffee perfection means a dedication to excellence in all facets of coffeemaking...that's why we say "to coffee lovers Melitta means everything!"

- AUTOMATIC COFFEEMAKERS
- EXTRA PREMIUM COFFEES
- GOURMET COFFEEMAKERS
- COFFEE FILTERS

For Retail and Foodservice Markets

Melitta USA Inc., 1401 Berlin Road, Cherry Hill, NJ 08003 (609) 428-7202

JPMorgan

METALLGESELLSCHAFT was incorporated in 1881 as a joint-stock company to continue a long-standing Frankfurt metal trading business. Since that time, the company has steadily expanded its activities by establishing new plants or acquiring existing ones, and by merger with or participation in other companies.

Today, Metallgesellschaft is an internationally active, service-oriented raw materials and technology group. The group's activities are divided into three Service Divisions of Metallgesellschaft AG (Trade-, Financial- and Engineering-Services) and twelve industrial corporate units in which Metallgesellschaft AG holds substantial interests.

With a worldwide turnover of about DM 20 billion, Metallgesellschaft is one of the largest corporations in the Federal Republic of Germany.

The group employs more than 30,000 people worldwide. □

J.P. MORGAN provides sophisticated financial services to institutional and individual clients worldwide. Through its subsidiaries, the firm offers financial advisory services, underwrites and trades securities in international and domestic capital markets, conducts commercial and private banking business, and manages billions of dollars in pension and other investment funds. Morgan has established positions of leadership in many markets, including foreign exchange, the euro-markets, and investment management.

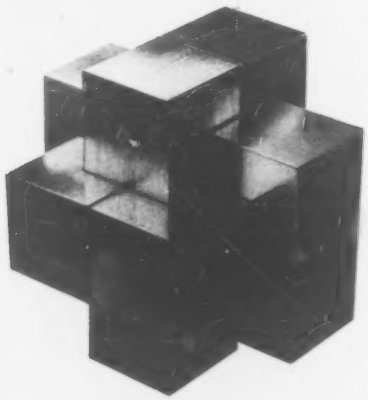
Over the last several years, Morgan's sources of revenue have become much more diversified. The firm earns more than half its income from noninterest sources, such as trading and corporate finance fees, and ranks among the leading investment and commercial banks when measured by this source of revenue.

The ability to commit capital has become increasingly important in global finance, and J.P. Morgan's financial strength is unequaled in the United States, allowing the firm to take a lead role in numerous sizeable corporate finance transactions for its clients. The firm's capital is used in a variety of ways to meet client needs, from lending activities to equity participations.

Morgan serves the needs of its German clients in all of the world's major financial centers, particularly in New York, Frankfurt, and London, where teams of professionals are assigned exclusively to German clients. In Germany, J.P. Morgan is represented through its Frankfurt branch office and its affiliates. J.P. Morgan GmbH is a universal bank providing commercial and investment banking services, including the underwriting, dealing and distribution of DM securities. J.P. Morgan Investment GmbH is active in the management of funds mainly for corporate and institutional investors. □

OOCL

ORIENT OVERSEAS CONTAINER LINE is one of the largest container operators in the world providing customers with a global, fully integrated containerized transportation service encompassing nine principal trade areas, including North America, Europe,



A knotty problem.

If Alexander the Great had been confronted with this puzzle instead of the Gordian Knot, world history might have been quite different. It's the so-called Chinese carpenter's knot, a challenge to man's intellect since antiquity.

This replica, cast by Metallgesellschaft experts, consists of six metals we traditionally deal in: zinc, copper, tin, lead, aluminium and nickel. For over a century, Metallgesellschaft has specialized in tackling the knotty problems of extracting these and other key metals and making them available to international markets.

To find out more about Metallgesellschaft's worldwide capabilities, just contact us.
We solve the knotty problems.

Metallgesellschaft.
Your reliable,
long-term partner.

Metallgesellschaft Corp.* · The Ore & Chemical Corporation** · MG Services Company, 520, Madison Ave., New York, NY 10022 · Metallgesellschaft AG, Reuterweg 14, D-6000 Frankfurt/Main · Metallgesellschaft Ltd.*** Three Quays, Tower Hill, London EC3R 6DS · Further offices in Beijing, Bucharest, HongKong, Johannesburg, Kuala Lumpur, La Paz, Lima, Madrid, Manila, Melbourne, Mexico D.F., Milan, Moscow, New Delhi, Paris, Riyadh, São Paulo, Seoul, Singapore, Sofia, Sydney, Tokyo, Toronto, Warsaw, Zagreb.

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Australia, the Middle East and comprehensive coverage of the Far East.

OOCL owns or operates container vessels, container terminals, containers and container chassis. In addition, the company has operations performing other functions vital to the provision of an integrated containerized transportation service, such as container service management, road haulage, intermodal services, agency freight forwarding and cargo consolidation. With an extensive computer network, OOCL provides customers with information from all OOCL offices and agencies worldwide. Through its system capability, OOCL offers electronic U.S. Customs clearance to customers at selected ports.

OOCL has under its operation 31 container vessels with aggregate capacity of 60,000 TEUs, deployed in 17 liner service routes calling at 110 ports in 56 countries. With 5,000 professional staff worldwide, OOCL services cover all continents.

OOCL's service between Europe and North America provides maximum coverage of transatlantic ports, a dependable schedule of sailings and complete integration with OOCL's Far East services. Connecting the U.K., European Continent and Mediterranean with North America are three weekly fixed day sailings: North Atlantic Express and two Gateway Express services.

Beyond North America, OOCL's services include service between the Far East and Europe, the Middle East, and Australia, as well as Far East Interport services. While utilizing separate fleets, these distinct services provide a well coordinated network of integrated service enabling customers to deal with one carrier to satisfy all of their transportation needs. □

Price Waterhouse

PRICE WATERHOUSE is a leading worldwide professional organization of accountants and auditors, tax advisors, and management consultants. With 448 offices in 108 countries, Price Waterhouse provides business advice to a wide variety of multinational companies. German companies doing business in the U.S. are assisted by more than 100 U.S. offices and eight offices in Germany.

The companies served by Price Waterhouse in the U.S. and Germany vary in size from start-up ventures to giant multinationals and represent all major industrial, service and financial industries. Many of our clients are U.S. subsidiaries of German companies.

Price Waterhouse has German Business Centers in New York (head office), Atlanta, Charlotte, Chicago and Los Angeles. At each location, qualified German bilingual professionals *(Wirtschaftspruefer/Steuerberater)* provide assistance with the new German reporting requirements, mergers and acquisitions, and international tax planning among other areas that are critical to German companies' success in the United States.

German companies also look to Price Waterhouse for:

Accounting and Auditing Services—"Auditing the business, not just the books" is our philosophy. Services are tailored to specific company requirements, based on a thorough understanding of the business and the environment in which they operate. We are constantly alert for opportunities to improve all aspects of a company's business.

Tax Services—Price Waterhouse tax professionals work closely with a company's management to help minimize taxes and cope with ever-expanding tax rules. We assist with tax planning and tax return preparation for expatriates and nonresident aliens and with tax audits. Our sophisticated computer-based systems will calculate foreign source taxable income, foreign tax credits, earnings and profits, and earnings repatriations.

Management Consulting Services—Our worldwide network of experienced consultants provide comprehensive and practical advice on virtually all facets of business operations including: financial management, information technology, inventory control systems, office productivity, strategic planning, and comprehensive marketing services. Our consultants improve organizational structures, productivity and competitive positions.

To support multinational organizations in this changing business world, Price Waterhouse has published a series of guides that provide comprehensive information on accounting and tax regulations, investment climates and other business factors in individual countries. Of special interest to German/U.S. businesses are the following publications:

- *Services to German Businesses in the U.S.*

South Dakota

America's little Switzerland for reasons beyond our mountains.

- International trade
- Pro-business climate
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- Financing
- Site location assistance

For more information contact:
Darrell D. Butterwick, Commissioner
Governor's Office of Economic Development
711 Wells Avenue
Pierre, South Dakota 57501-3369
(605) 773-5032

- *Immigration and Tax Planning for German Employees Assigned to the U.S.*
- *U.S. Federal Estate and Gift Taxation of German Nationals*
- *Doing Business in Germany*
- *Doing Business in the United States*
- *Tax Planning for Foreign Investment in U.S. Real Property*
- *Tax Planning for Acquisitions in the United States*
- *Foreign Nationals in the U.S.*
- *Right Start in USA*
- *Marketing in USA*
- *Comparative Presentation of German and U.S. Auditing Standards*

Most of these publications are available in English and German. You can contact the nearest Price Waterhouse office in the U.S. or Germany for copies. □

Rodenstock

The RODENSTOCK GROUP, with headquarters in Munich, is one of the world leaders in ophthalmic optics. The fourth generation family-owned company is in its second century of operations and its products are distributed in over one hundred countries.

In addition to six plants and eleven branches in Germany with over 6,000 employees, there are four German and seventeen foreign subsidiaries with several manufacturing facilities.

Rodenstock products cover a wide range: ophthalmic lenses, a comprehensive line of plastic and metal frames and sunglasses, precision optics for commercial, industrial and scientific applications including photographic, enlarging, reproduction and X-ray objectives as well as a complete line of ophthalmological refracting, diagnostic and therapeutic instruments and automatic processing equipment for opticians.

In the United States the Group maintains the following operations:

Rodenstock USA, Inc., Danbury, CT
Rodenstock Corporation, Yauco, PR
Rodenstock Precision Optics, Morton Grove, IL
Felix Mendelson Co., Los Angeles, CA

In addition, the WECO instrument line is represented in the United States by Coburn Optical Industries.

Steady growth and expansion continue to mark Rodenstock's active engagement in the United States. □

Salomon Brothers

SALOMON BROTHERS INC, a subsidiary of Salomon Inc, ranks among the world's foremost investment banking firms with one of the largest equity capital bases in the industry (over $3.6 billion at the end of 1989). It is also one of the largest securities dealers in the world, a registered broker-dealer, and one of the Federal Reserve's forty-four Primary Dealers.

Founded as a money-brokering firm in 1910 by brothers Arthur, Percy and Herbert Salomon, the firm remains the oldest active U.S. government securities dealer. Today Salomon Brothers makes markets in securities and provides a broad range of underwriting, research, and financial advisory services to government, international corporations and institutional investors. The firm is widely acknowledged for its financial product leadership and innovation.

Operating 24 hours a day with some 6,600 employees on four continents, Salomon Brothers has developed into a major power in the world financial markets. Headquartered in New York, the firm has branches in six other major U.S. cities (Atlanta, Boston, Chicago, Dallas, Los Angeles and San Francisco). Thirteen affiliate and representative offices are situated in strategic locations around the world (East Berlin, Frankfurt, Hong Kong, London, Madrid, Melbourne, Seoul, Singapore, Sydney, Taipei, Tokyo, Toronto, Zurich). Salomon's revenues totaled more than U.S. $8 billion in 1989, with assets exceeding U.S. $113 billion.

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SCHENKERS
International Forwarders, Inc.

SCHENKERS INTERNATIONAL FORWARDERS, INC. is part of one of the world's oldest and largest freight forwarding organizations. Operating with access to—and as an important part of—an extensive worldwide network, Schenkers enjoys a reputation as a reliable, experienced and innovative provider of all forwarding and related services.

In 1953, Schenkers began operating from an office in New York City; a second office, in Chicago, was opened in 1959. Now 45 offices serve the needs of importers, exporters and domestic shippers throughout the country. Every major international port, air gateway and industrial area in the U.S. is supported by a Schenkers office.

Air and ocean import and export shipments account for a major portion of the company's activities. Consolidations and containerizations are arranged; rates are negotiated and filed; all necessary documentation, including legalization, banking, letters of credit and sight drafts, are completed. Schenkers has outstanding expertise in handling hazardous or perishable cargo.

Household removal and personal effects are part of Schenkers' specialized global services.

Licensed customs brokers are on staff in every branch office. These individuals have a vast wealth of knowledge about all types of entry preparation, including fairs and exhibitions, formal and informal, dutiable, duty-free, CBI and CSP. They can file continuous bond applications, enter temporary import bonds, arrange for drawbacks and process carnets. Access to the U.S. Customs' Automated Broker Interface (ABI), designed to streamline entry processing functions, is granted only after rigorous training and 100% error-free testing. Half of the company's offices are now certified by U.S. Customs;

SCHENKERS GETS IT THERE WORLDWIDE...

...by the cost-efficient route

In today's economy, shipping costs have a big influence on your company's profitability. That's why Schenkers uses advanced freight forwarding technology to assure your cargo always travels the most cost-efficient route.

New consolidation procedures including special computer developed routings and computer-selected, low-cost air and ocean consignment techniques, plus a host of other technology-assisted warehousing, drayage, loading and distribution procedures, get your payload to its destination by the most economical methods.

Tap into Schenkers Data Bank of Cost Saving Resources

While data processing plays a key role in moving your cargo. Schenkers maintains its traditional personalized service, important in today's fast-paced traffic environment. Call your nearby representative...they are immediately available to give you the most cost-efficient answers to your export/import questions.

45 Offices in the U.S.A. . . . over 500 Worldwide

SCHENKERS
INTERNATIONAL FORWARDERS, INC.
Corporate office:
Exchange Place Centre
10 Exchange Place, Suite 1500; Jersey City, NJ 07302-3998
Tel: (201) 434-5500 Tlx: 824231 SHCOR UF Fax: (201) 434-5600

all branches are expected to be on-line by early 1989.

International projects and logistics services are a Schenkers' strong point. Staff experts work with engineering and construction firms, starting with project feasibility studies, through planning and, finally, to implementation of massive long-term cargo movements. A computerized logistics system, designed by Schenkers, controls the flow of information throughout the worldwide network. This system provides regular status reports and insures complete coordination from the U.S. suppliers to job sites as remote as Papua, New Guinea, or off-shore Malaysia.

Fairs and exhibitions are vital showcases for international marketers. In this area, Schenkers' specialists not only coordinate cargo transport, they also facilitate packing, crating, warehousing and setting up displays. Customs clearances are expedited, and all paperwork is completed for the client. When the fair is over, Schenkers can have the exhibit disassembled and returned, and can also deliver any merchandise sold at the trade show.

Packing is more than an art—it's the vital first step to damage-free transportation of any cargo. Schenkers' professionals select the correct protective materials or, if necessary, design and manufacture customized packing. Warehouse facilities throughout the country boast state-of-the-art equipment. Employees, trained to handle the most sensitive shipments, take care of export packing, warehousing, containerization and secure storage. Several of these warehouses have separate U.S. Customs Bonded Storage areas.

Schenker & Co. was founded in 1872 by the enterprising young Gottfried Schenker and two partners. The following year he introduced a radical new concept in transport, combining several small shipments into one unit. The first consolidated rail freight shipments were moved between Paris and Vienna. As early as 1898, Gottfried Schenker recognized the importance of links with the New World and became an agent for the Kansas City, Pittsburg & Gulf Railroad Company.

Today, the worldwide Schenker organization is made up of over 500 offices staffed by nearly 12,000 highly trained personnel. The company is represented in more than 100 countries; it has facilities in 120 air freight terminals and in over 100 seaports. In the U.S., over 900 employees serve Schenkers' clients from 45 locations; in Germany, more than 4,144 people work in over 129 offices.

This dense, globe-girdling network stands ready to manage any shipment, no matter how large or small, to any place in the world. For information and advice on all forwarding and related services, contact:

Schenkers International Forwarders, Inc.
Corporate Operations
Exchange Place Centre
10 Exchange Place, Suite 1500
Jersey City, New Jersey 07302-3998
Tel: (201) 434-5500
Telex: 824231
Fax: (201) 434-5600

Schenker & Co. GmbH.
Zentralleitung
Post Office Box 700964
Hainer Weg 13—15
D-6000 Frankfurt/Main 70
Tel: (69) 60530
Telex: 41525811
Fax: 6053207 □

SCHLEICHER
Relays and Automation Systems

SCHLEICHER GmbH & Co. Relais-Werke KG was founded in Berlin in 1937 by Senior Engineer Otto Schleicher. After destruction and dismantling by the Second World War, the company was re-established and rebuilt to a modern industrial enterprise by his son, Senior Engineer Helmut Schleicher. The Schleicher relay works stands today as a manufacturer of high precision time relays and programmable controllers in Germany and in the world.

From the very beginning it was the capability to participate in the technological relay progress by pioneer work which secured the success of the Schleicher relay works. The secret of the success of Schleicher relays is functionality. The convenient time adjustment and range selection, the at-a-glance function display, and the stylish standardized housings are convincing facts for the relay user.

Quality is another base for Schleicher's success in nearly all industries. In the last four years 12 million German marks were invested in new automated assembly lines and test equipment to respond to the global standards all over the world.

Since 1962 the Schleicher Company has been very actively engaged also in the programmable controller market. The Schleicher Electronic Company which is located in Munich was founded for the purpose of designing and engineering of custom controllers. With over 150,000 controllers installed worldwide, the Schleicher Electronic Company is today one of Germany's most recognized companies in this field. Because of this fast expansion, the Berlin headquarters had to build up its own Automation Division. The range of the Schleicher controller line starts with a small modular system and ends with a universal controller for computer numerical and robot applications.

The Schleicher company offers service in all parts of the world by competent representatives.

For information on Schleicher timers in the United States, contact:

Tenor Company
17010 W. Rogers Drive
New Berlin, Wisconsin 53151
Tel: 800-468-4494
(414) 782-3800
Fax: (414) 782-0005 □

Siemens

In fiscal 1989/90, the Siemens U.S. companies reported $4.1 billion in sales, a 16 percent increase over the previous year, and orders of $4.4 billion or a 14 percent increase over fiscal year 1988/89. The Siemens companies employ more than 30,000 people in the U.S., or a total of 35,000 if joint venture companies are included.

Siemens Medical Systems, Inc., Iselin, NJ, continued to report the highest sales volume with $1.4 billion. Siemens Energy & Automation, Inc., Alpharetta, GA, became the second Siemens company in the United States to reach the billion dollar sales mark. Siemens has some 60 manufacturing and assembly facilities and 450 locations throughout the country.

To assure future technological leadership, the Siemens companies in the U.S. invested more than $400 million, or roughly 10 percent of revenues, in research and development during the last year. Annually, Siemens ranks among the top 25 companies granted the most U.S. patents, and, again this year, contributed approximately $1 million as part of its active liaison and joint research program with leading American colleges and universities.

While the individual operating companies conduct extensive product R&D, they are supported, in turn, by Siemens Corporate Research in Princeton, NJ. The laboratories work closely with various U.S. companies to help ensure technical leadership in their respective markets both through applied and exploratory research initiatives.

Siemens primary companies in the U.S. include: Siemens Medical Systems, Inc. and Siemens Components, Inc., Iselin, NJ; Siemens Stromberg-Carlson and Siemens Private Communication Systems, Inc., Boca Raton, FL; Siemens KWU, Inc. and Siemens Transportation Systems, Inc., New York, NY; Siemens Energy & Automation, Inc. Atlanta, GA; and Siemens Automotive, Troy, MI. □

Springer-Verlag

SPRINGER-VERLAG, with over 14,000 books in print (and an additional 1,800 new titles released yearly), and over 300 journals, is a leading international scientific, technical, and medical publisher. Founded in Berlin by Julius Springer in 1842 as an outgrowth of his bookstore, Springer-Verlag began with a list of titles reflecting the general interests of the intellectual community. This included works on law, electromagnetics, agricultural problems, as well as belles lettres, fiction and books on chess. (Later, a play on one meaning of the German word *Springer* resulted in the company's logo, a knight chesspiece.) Specialization in science and technology developed over succeeding generations. Diesel, Faraday, and the Siemens brothers were among the contributors to engineering, while Springer-Verlag's enduring leadership in mathematics can be traced to ties with the Mathematics Institute of Goettingen in the 19th century.

Springer-Verlag is now comprised of a worldwide network of interlocking editorial, production, marketing and distribution centers. A significant factor in this development was the foundation of Springer-Verlag New York Inc. in 1964. It began by marketing European titles, but soon had a flourishing English-language program of its own and important contacts with North American authors. The American subsidiary publishes over 200 new books and 50 journals yearly, and employs over 225 people. Administrative and other offices are located in the landmark Flatiron Building in New York City; the distribution center is in Secaucus, New Jersey. □

STINNES

STINNES CORPORATION, New York, is a wholly owned subsidiary of Stinnes AG, Muelheim, West Germany, a member of the VEBA Group of companies. As a holding company, Stinnes Corporation monitors the trading, distribution, export and import activitics of its subsidiaries and joint-venture companies in the United States. Stinnes presently is engaged in four major product lincs.

Stinnes Interoil, Red Bank, New Jersey is a major supplier of heating oil and other oil products to utilities and industry. Stinnes Coal Company, Inc., with offices in New York and Kentucky, markets U.S. steam and metallurgical coal both on a domestic and export basis. F & S Alloys and Minerals Corporation, New York and Miller and Company, Chicago serve the domestic foundry and steel industries with a wide spectrum of alloys, ores, minerals and other raw materials from worldwide sources.

The chemical distribution activities of Stinnes consist of four strong regional distributors: Textile Chemical Co., Inc., Read-

ing, Pennsylvania; Delta Distributors Inc., Longview, Texas; P.B. & S. Chemical Company, Inc., Henderson, Kentucky; and SOCO-Western Chemical Corporation, Los Angeles, California. International chemical trading including international sourcing is performed by Brenntag Interchem, Inc., Philadelphia, Pennsylvania .

Other ventures include freight forwarding services provided by Rhenus Transport International Corporation, New Jersey, steel trading and distribution by Steelinter Inc., New York and the repair and rebuilding of diesel engine components by Precision National Plating Services, Inc., Clarks Summit, Pennsylvania.

Total sales of the U.S. Group are expected to be approximately $1.2 billion in 1989. All subsidiaries are actively expanding their operations. □

Südwestdeutsche Landesbank

SÜDWESTLB is on the one hand a multitask commercial bank active both in Germany and abroad. At the same time, the Bank is also the central banking institution for the savings banks in Baden-Württemberg, a state in the Federal Republic of Germany. With a balance sheet total of about DM 85 billion SüdwestLB ranks among the 100 largest banks in the world.

As a commercial bank, SüdwestLB is active in all areas of banking, offering a comprehensive range of banking services. In addition, its subsidiaries offer special forms of financing, such as leasing, factoring, capital participations and real estate investment funds.

As a central institution of the savings banks SüdwestLB is the nucleus of a financial services group which includes the 92 savings banks in Baden-Württemberg with more than 3,800 branches, two insurance companies, and two building societies. This group offers customers the whole spectrum of financial services available today.

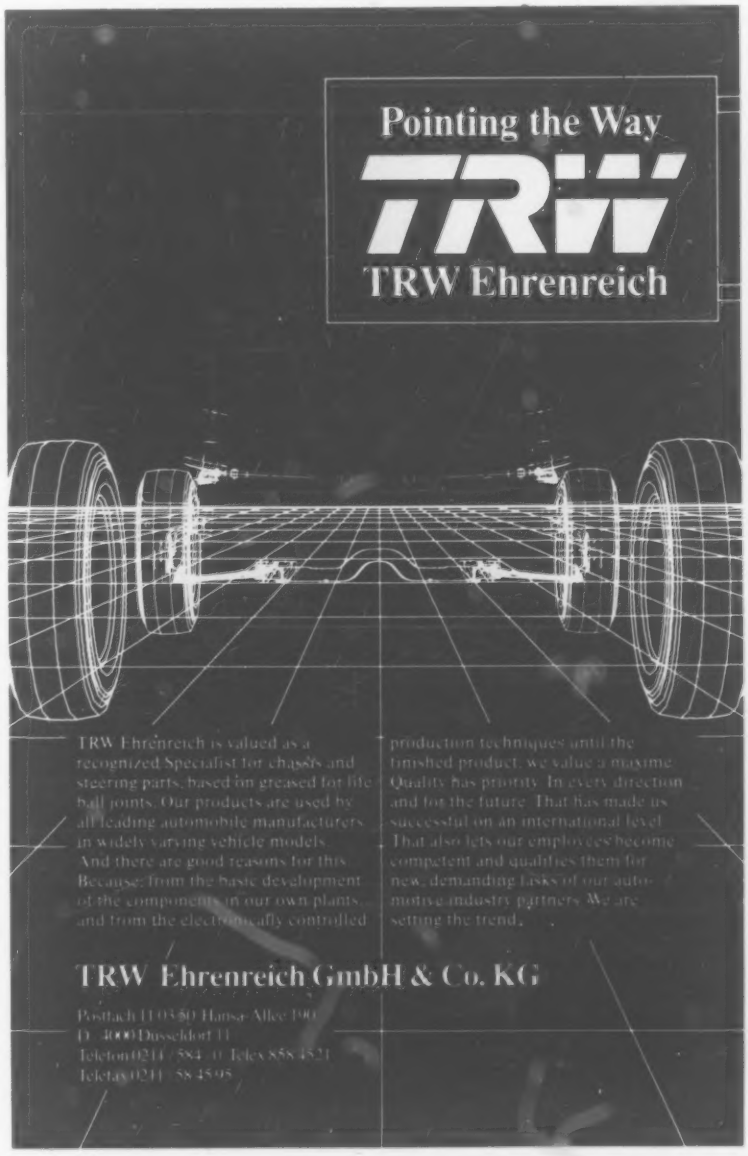
With the economy of Baden-Württemberg strongly oriented toward foreign trade, international business is of particular importance for SüdwestLB. Thanks to modern technology, a worldwide network of over 1,000 correspondent banks, and the SüdwestLB's own offices in the world's major financial centers, such as New York, the Bank is in direct and constant contact with all the international markets.

With the Bank's own international activities and the participation in WestLB Europa AG, branches and subsidiaries in currently 16 European countries are at the disposal of SüdwestLB's customers and those of the savings banks in Baden-Württemberg. Furthermore, additional international merchant banking capacity has been acquired.

SüdwestLB's head offices are in Stuttgart and Mannheim with domestic branches in Freiburg and Karlsruhe, a stock exchange office in Frankfurt/Main and additional offices in the eastern part of Germany. □

TRW

The history of Ehrenreich is closely connected with that of the automotive industry. Aurelius Ehrenreich founded the company in 1887—only one year after Gottlieb Daimler had built the first four-wheel motor-driven carriage. Within only 35 years the company developed into an important manufacturer of a variety of parts for the machine-building industry. In 1921 the start in automotive engineering was made by acquiring the patent for ball joints for the manufacture of tie rods and drag links.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Today Ehrenreich produces suspension ball joints, tie rods/drag links, control arms, connecting links, torque and radius rods and gear shift levers for practically all makes and almost all types of vehicles in Europe on the basis of maintenance-free ball joints. Recently power-assisted rack and pinion steerings were included in the company's product range.

The high safety and quality standards that are recognized throughout the automotive industry are an essential must for the present position of TRW Ehrenreich in Europe. With about 4,200 employees in five plants Ehrenreich is not only one of the largest companies in the TRW corporation, but also a leading supplier to Europe's automotive industry.

Ehrenreich became a subsidiary of TRW Inc. Cleveland/Ohio in 1971. This corporation is active throughout the world with 70,000 employees and ranks among the largest suppliers to the automotive industry. Additionally TRW is a leader in the American space and satellite industry as well as in the fields of communication, electronics and computer technologies. As part of TRW, Ehrenreich will also in the future continue to offer most competitive products to the automotive industry worldwide. □

TÜV Rheinland

TÜV RHEINLAND OF NORTH AMERICA, INC. is a wholly owned subsidiary of TÜV Rheinland e.V., headquartered in Cologne, Germany. As the largest European testing agency in the United States, TÜV Rheinland of North America, Inc. assists American manufacturers and exporters gain and strengthen their access to the European Marketplace.

When a product bears a TÜV Rheinland Test-Mark, it is instantly recognized as a product which fully complies with German and European quality and safety standards. Both retailers and consumers are aware that the product has been tested and certified as safe by one of Europe's most respected evaluators of quality and safety.

TÜV Rheinland e.V. was founded in 1872 as a cooperative effort to ensure the safety of personnel and equipment of the steam boiler industry. Technical Supervisory Agencies (Technische Ueberwachungs-Vereine—TÜV) were founded as independent, neutral bodies to raise the standards of safety in the steam boiler plants to a very high level within a short time, through regular technical inspections. TÜVs were instrumental in the development and introduction of new technologies.

TÜV Rheinland is the largest of the TÜVs, with its headquarters in Cologne, and has expanded worldwide to include over 5,000 employees in the TÜV Rheinland Group.

TÜV Rheinland is an agency authorized by the German Equipment Safety Law to test and certify over 1,500 products in the fields of: data processing and communications equipment, electrical tools and appliances, robotic controlled production machines, sports equipment and toys, mechanical equipment, medical equipment, and other equipment specified by law.

In addition to its classic function as a testing agency, TÜV Rheinland has increasingly assumed the role of consultant to both industry and the government. The group has also become involved in the techno-consult field. The task of environmental protection is becoming increasingly important. TÜV engineers advise companies on waste disposal problems, work in the field of rehabilitation of old waste, and can provide environmental tolerance tests for planned industrial projects.

TÜV also offers consultation and testing in the following fields: Product Safety, Quality Assurance Programs (ISO 9000 and EN 29000 Series), Ergonomics, Automotive, Medical Technology, Steam and Pressure Technology, EMI/RFI Supression.

The work of the TÜVs has always been an important contribution to the protection of man, his environment, and his property from the negative consequences of technology.□

TENTE

The history of TENTE begins in 1923, in Tente, a small village near Cologne, West Germany. The company originally marketed ball casters and rollers for sliding cabinet doors. From the start, the company developed a good reputation which in turn led to expansion of the product range and the commencement of manufacturing activities.

Following World War II, Tente concentrated on manufacturing precision institutional casters; and in the 1950s and 60s, Tente grew into one of the world's largest caster manufacturers.

In 1983, Hufa Rollen KG, a manufacturer specializing in furniture and industrial casters, was purchased by Tente. This purchase laid the foundation for a complete product line.

Today, Tente has modern production facilities with in-house tool manufacturing, molding, pressing, stamping, plastics processing, zinc die casting, testing labs and computer controlled warehousing and production lines.

Tente Casters, Inc., a wholly owned subsidiary of Tente Rollen GmbH, was founded in 1979 to serve the caster needs of America. The Erlanger plant was expanded in 1986 and 1989 to meet the growing needs of the American market. Once again, Tente is expanding. They are opening a new plant in Northern Kentucky in October 1991.

Today, the Tente group employs more than 800 people, in two factories in West Germany and in production facilities in the United States, France and Ireland. Additionally, Tente has sales offices worldwide and serves customers in more than sixty countries.

For additional information, please contact:
Bradford Hood
Sales and Marketing Manager
Tente Casters, Inc.
1211 Cox Avenue
Erlanger, KY 41018
606-283-1616 □

THYSSEN

THYSSEN INC., a wholly owned subsidiary and member of the West German Thyssen Group, is a major U.S. and international trading concern, which has its headquarters in New York City.

The steel products of the Thyssen mills as well as industrial products of various Thyssen enterprises have been sold in the U.S. for many years. As the demands for these products increased, it became necessary for the Thyssen Group to establish a company to facilitate communications, order entries and achieve more complete penetration between Thyssen and its customers.

Thyssen Inc. was founded in mid-1959. Since its formation, Thyssen Inc. has continually expanded its U.S. and international operations by adding various new lines of activities to the original business of importing steel. As a result, Thyssen Inc.'s organizational set-up was restructured in the beginning of 1981 with the formation of three major divisions, Thyssen Steel Co., Thyssen Carbometal Co. and Thyssen Rheinstahl Technik Co.

Thyssen Steel Co. expanded its direct domestic sales representation with offices in Houston and Los Angeles and with the formation of divisions and/or subsidiaries to handle and establish various additional lines of business.

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In the 1970's Thyssen Steel Co. entered the domestic market of steel warehousing with the establishment of Thyssen Metal Service/Southwest and later on with Thyssen Metal Service/West Coast and Thyssen Steel Detroit Co. and Westcoast Metal Products Co. These service centers and distributors supply to the Southwest, Southeast, Northeast, the Midwest and Great Lakes areas and the West Coast respectively with rolled steel products.

Since the mid-1980's Thyssen Steel Co. successfully opened export markets for steel products manufactured by U.S. and Mexican steel producers.

At the same time, Thyssen Carbometal Co. established a worldwide business in raw materials, mainly coal and iron ore, and Thyssen Sonnenberg Co. actively pursues exports of ferrous scrap to Southeast Asia and Latin America.

Thyssen Metal Products Co. established itself as a distributor and importer of various alloys.

Thyssen Rheinstahl Technik Co., headquartered in Atlanta, Georgia, established itself as project manager and general contractor of turn-key and related industrial building and construction projects in the Southeast. Thyssen Rheinstahl Technik Co. continues distribution as well as marketing of special forgings and castings covering all regions of the U.S. market.

In mid-1989 Thyssen acquired Amerford International Corporation, a leading international air and sea freight forwarder, thereby firmly establishing Thyssen Haniel Logistics' transportation activities in North and South America.

Today the combined operations of Thyssen Inc. employ almost 600 people in various parts of the country. The company's activities include international raw material trading, warehousing and steel service center operations in the U.S., as well as sales of industrial products and project management.

With such dynamic growth, Thyssen Inc. became a major factor in domestic and international trading. □

TRUMPF

Established as a sales subsidiary of TRUMPF GmbH in 1969 in Farmington Industrial Park, Farmington, Connecticut, TRUMPF INC. is now a wholly-sufficient 80,000 sq. ft. manufacturing, sales and service facility with 200 employees. It surpassed its sales forecast of $35 million for the fiscal year 1987-88 despite a lengthy machine tool industry depression.

In spite of the current difficult economic environment worldwide, the group of Trumpf subsidiaries, a network extending from West Germany to America, Brazil, England, France, Japan, Sweden and Switzerland that employs 2,600, increased sales by 17% to 540 million DM for the fiscal year ended June 1988.

Having incorporated production functions in 1975, the American subsidiary shipped its 500th CNC sheetmetal working machine this past Spring. Approximately 35% of the machines built in the USA are exported to Japan, Canada, Mexico and South America.

The technically superior, economically efficient, innovative Trumpf product-line includes CNC punching/contouring machines, CO 2-based lasers and lasercutting centers, fully automatic flexible manufacturing systems, and a wide range of portable power tools.

The first machine tool manufacturer to build a range of R.F.-excited industrial lasers providing advanced cutting technology,

Trumpf last March purchased an established 40,000 sq. ft. laser manufacturing facility from Combustion Engineering in Somerville, Massachusetts, in order to more deeply penetrate the more than $200 million U.S. laser market. Now called Trumpf Industrial Lasers, the operation adds the capacity to produce A.C.-excited lasers. Today, Trumpf is one of the largest laser system manufacturers worldwide.

The company extended its commitment to fully automated sheetmetal fabrication and strengthened its leadership position as a single-source supplier of complete flexible fabricating systems when in May it began providing storage and retrieval systems manufactured in the U.S. Trumpf Storage and Retrieval Systems range from simple storage racks to sophisticated units under computer control which can be integrated into many different flexible manufacturing cells.

Ideal for large production runs as well as small job shop applications, Trumpf products are a standard for productivity and precision. Heavy investment in research and development has resulted in a high degree of responsiveness to customers' manufacturing needs, whether for punching and contouring, punching and thermal cutting, cells or total flexible manufacturing systems, tooling and tool change systems, or power tools.

The Trumpf Power Tools product-line, which saves time and decreases operating costs, includes both electric and pneumatic bevelers, nibblers, a power fastener, shears, a power punch, and seam lockers. As with the Trumpf CNC machine product-line, tools are designed to ensure long service life and economical maintenance. □

United Parcel Service

The world's largest package delivery company, UNITED PARCEL SERVICE, offers an expanding array of reliable, low-cost, worldwide delivery services for commercial shippers. Founded in 1907, UPS now has an annual delivery volume in excess of 2.8 billion packages and documents, and serves over 1.1 million regular daily customers. The company employs over 244,000 people worldwide, including 5,000 people in the Federal Republic of Germany.

Since 1976, the Köln/Bonn Airport has been the nerve center of UPS European air operations as the primary transfer point for shipments to and from Europe, Africa and the Middle East. Today, in addition to our international air services, UPS has an extensive ground delivery network with door-to-door service to every address in Germany.

Committed by our founder to providing *the best service at the lowest possible rates*, UPS delivers value through an international service portfolio which includes express package and document delivery, multi-package freight, and air cargo. All UPS international air services provide reliable, scheduled transit times, door-to-door delivery, expert customs brokerage, and electronic shipment processing and tracking at extremely competitive prices.

Express Package & Document Service—For urgent international shipments, UPS offers express delivery of documents and dutiable package shipments to over 180 countries and territories around the globe via UPS International Air service. Most of our international express shipments to and from Europe are delivered in just two business days.

Expedited Package Service—UPS Worldwide Expedited Package Service provides precisely scheduled, door-to-door delivery of multi-package air freight shipments between the United States and major export countries in Europe and the Far East. The reliability of scheduled service and the control afforded by the use of an integrated carrier can benefit the shipper and consignee with improved customer service and reduced inventory and transportation costs.

Air Cargo Service—UPS Air Cargo Service provides direct, scheduled delivery of virtually any type of freight to more than 80 strategically located gateways in North America, Europe, and the Pacific Rim. Cargo is booked on a reserved-space basis, usually with immediate confirmation and routing information through our centralized, on-line booking service. Pickup and delivery and bonded warehousing can be arranged at an additional charge.

For more information about UPS international air services:

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Express/Expedited—Contact the UPS office listed in the White Pages of your local telephone directory.

Air Cargo—Call 1-800-535-2345

Germany

Express/Expedited—
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Air Cargo—(02203) 404377 □

UNION-TRANSPORT CORPORATION (formerly Union Air Transport GmbH) began its U.S. operation in New York in 1959 with one small airfreight office. Today it is ranked by the International Air Cargo Association as the 11th largest airfreight agent in the United States.

Union-Transport Corporation is a wholly-owned subsidiary of Union Transport GmbH & Co. Ohg of Duesseldorf, which is West Germany's third largest airfreight forwarder and its largest trucking concern.

In addition to airfreight forwarding, Union Transport Corporation is experienced and knowledgeable as oceanfreight forwarders, and operates its own N.V.O.C.C. division, known as Unitainer. Both air and ocean departments handle imports as well as exports.

Mr. P. Robert Doernte, Executive Vice President and General Manager U.S.A. for the Corporation, has recently opened three new offices in Seattle, Newark and Utah. Further expansion in the U.S.A. is planned.

Each of Union-Transport Corp.'s modern, fully staffed offices has its own warehouse operations which facilitate the handling of cargo of all weights and dimensions. Pick-up and delivery services are available from anywhere in the U.S.A. The company has a computerized tracking system which allows direct access by the client, keeping him advised of the status of his shipment every step of the way.

The Union-Transport Group's network of established, reliable agents throughout the world complete the package, assuring only the highest quality service from origin to destination. □

VAW aluminum

V.A.W. of AMERICA, INC., a wholly owned subsidiary of Vereinigte Aluminium-Werke AG Bonn, has operated its Ellenville, NY facility for approximately 25 years and its St. Augustine, FL plant for ten years. A third plant was acquired in 1989 in Phoenix, AZ increasing its capacity by over 30%.

With these three strategically located aluminum billet and semi-fabrication plants, V. A.W. of America is positioned to cover the entire U. S. market in terms of customer service, expeditious shipments and excellent logistics.

Thc company's manufacturing operations include three aluminum remelt facilities, ten extrusion presses and fourteen high-speed drawbenches. The Ellenville plant's solution heat-treat and seamless tube capability ranks it among a limited number of world-class suppliers in drawn tube for special applications. The plant also holds a similar position in the imaging industry in the supply of copier drums. In close tolerance extrusions, production of sailboat masts, automotive and electronic features. Lighting stands and spin tubing are particularly noteworthy. The St. Augustine plant's Fabrication Division includes a computer numerically controlled *(CNC)* machining facility which operates nine horizontal and vertical centers producing such articles as copier fuser rolls and printing plotter beams. In finishing, the operation houses two paint lines: an electrostatic, thermal-setting acrylic or polyester line and a powder coat line. The Phoenix plant's capabilities are highlighted by expertise in close tolerance specialty extruded shapes, large diameter pipe including spin tube and drawn tube.

Through its award-winning engineering design team and its research and development metallurgical staff, the company has amplified its quality reputation as the industry leader in the production of practically the entire range of sizes, surfaces, tempers and alloys of drawn tube, specialty extruded shapes, fabrications, finishing and electrical conduit.

The production facilities represent an extension of the technical development in the testing laboratories, utilizing state-of-the-art equipment such as coordinate measuring and ultra-modern electrospectographic analysis machines. Quality is assured at every step in the manufacturing process through elaborate testing as well as statistical process control (SPC) data and certifications for chemical compositions and mechanical properties.

V. A.W. is regarded in the U.S. market as a major supplier of fabricated, finished extruded and drawn aluminum tubular and shape products. Its solutions and ideas have continually assisted the customer, leading to V. A.W.'s reputation as *Your Partner in Aluminum*. □

ZF OF NORTH AMERICA, Inc. is the exclusive representative for ZF products in the United States and Canada. The company currently employs 284 people at its facilities in Libertyville, Vernon Hills and headquarters in Lincolnshire, Illinois, a suburb of Chicago, and its office in Detroit.

The company emphasizes research and development, and has a reputation for producing quality, cost competitive products.

ZF specializes in advanced drive train and steering components for a wide variety of on- and off-highway applications, including agriculture, construction and material handling vehicles, passenger cars, trucks, rapid transit buses, and pleasure and work boats.

As a worldwide leader in driveline technology, ZF supplies many major manufacturers in the U.S. with automatic, manual and powershift transmissions, trans-axles, axles and steering systems.

In addition, a worldwide staff of factory-trained technicians is always available to

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A brief history of the ZF Group

ZF of North America, Inc. is part of the ZF Group, which was founded in 1915 by Count Ferdinand von Zeppelin to produce transmissions for his famous Zeppelin airships.

Several years later ZF pioneered the first fully synchronized manual transmission.

Today, the ZF Group of companies is the leading independent manufacturer of transmissions, steering systems and axles in the world, has sales of $4 billion, employs more than 34,000 people, and operates facilities and service centers in Europe, North America, South America and the Far East.

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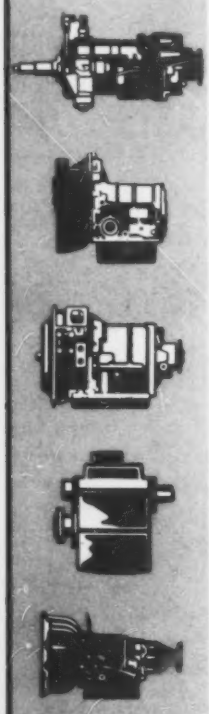
It costs no more to specify the best—ZF □

ZEISS
West Germany

CARL ZEISS, Inc. is a part of the worldwide Carl Zeiss organization headquartered in West Germany. Since its establishment as a U.S. corporation in 1925, Carl Zeiss, Inc. has constantly expanded its presence in the American market as a sales, marketing, and service organization of precision products for industry and for the medical and scientific communities. These are products which have set world standards for nearly one and one-half centuries. The Zeiss commitment to uncompromising excellence has consistently defined the state-of-the-art in such diverse areas as precision machines for industrial measuring, optical systems for industrial applications, surveying instruments, aerial cameras, light and electron microscopes, surgical microscopes and lasers, ophthalmic instruments, telescopes and planetaria. Cases in point are the recent introduction of an advanced line of research microscopes, an electron microscope which promises breakthrough discoveries in medicine and other areas of application, and improved instrumentation for the land surveyor.

Zeiss consumer products—high fashion eyeglass frames and sunglasses, binoculars, sporting glasses and riflescopes—are offered to the U.S. market through ophthalmic dispensers and other retail outlets by another Zeiss subsidiary, Carl Zeiss Optical, Inc. in Petersburg, VA.

The unique capabilities of Carl Zeiss in combining optics, precision mechanics and advanced electronics have paved the way for significant industrial advances in the field of metrology, a science which dates back to man's first need for a formal method of linear measurement. The Industrial Measuring Technology Division of Carl Zeiss, Inc., markets high performance, computer-controlled coordinate measuring machines. Incorporating a unique probing system designed by Zeiss, measurements can be made in the incredible range of millionths of an inch. These machines, used as a quality control tool for cost-effective measurement of precision production parts such as turbine blades or components of an internal combustion engine, are rapidly replacing the time consuming task once required of measuring parts manually with traditional handheld gauging instruments. Today, Carl Zeiss provides an entire industrial measuring technology product line to serve the needs of diverse major industries, such as automotive, aeronautic computer, defense and energy. This is an example of another Zeiss achievement which advances the state of technology. □



ZF reshapes the boundaries of technology

ZF—the leader in transmission technology—on land, sea or air. Individual components or integrated systems, ZF has the engineering expertise—design flexibility—and production resources to satisfy your proprietary auto, truck, bus and off-highway, including marine, mining and agricultural applications.

ZF NA headquartered in the Chicago area also maintains a sales and engineering office in Detroit and manufacturing facilities in Georgia and Maine. In addition, ZF operates a number of distribution and production facilities world wide.

To sustain this momentum, ZF invests heavily in research and development. While competitors discuss our current technology we're developing and perfecting new designs for our customers.

ZF—abbreviation for Zahnradfabrik Friedrichshafen, founded by Count von Zeppelin in 1915 to design and build transmissions for airships. Today we're taking his vision further then he ever imagined, in the direction you want to go.

ZF

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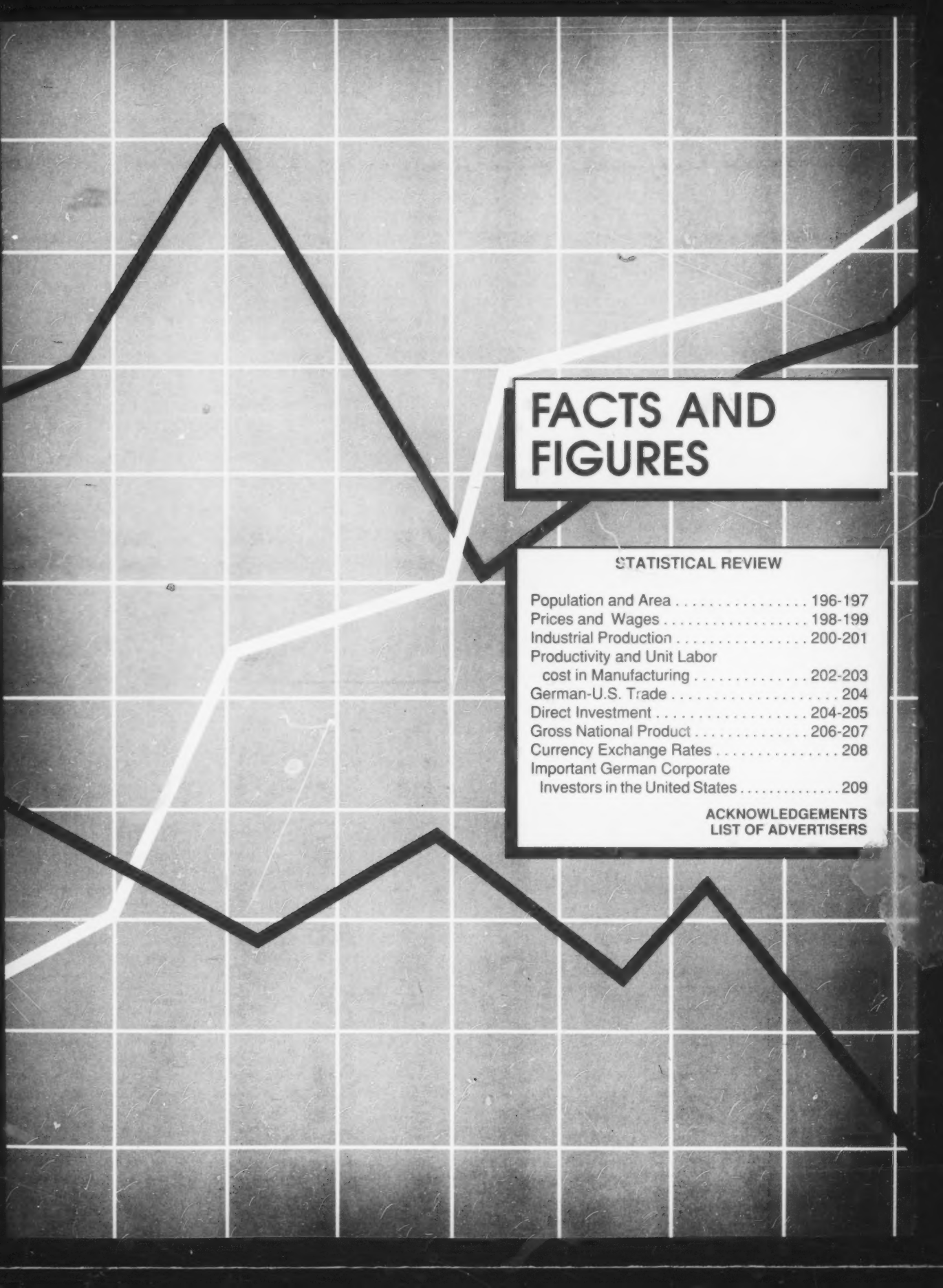

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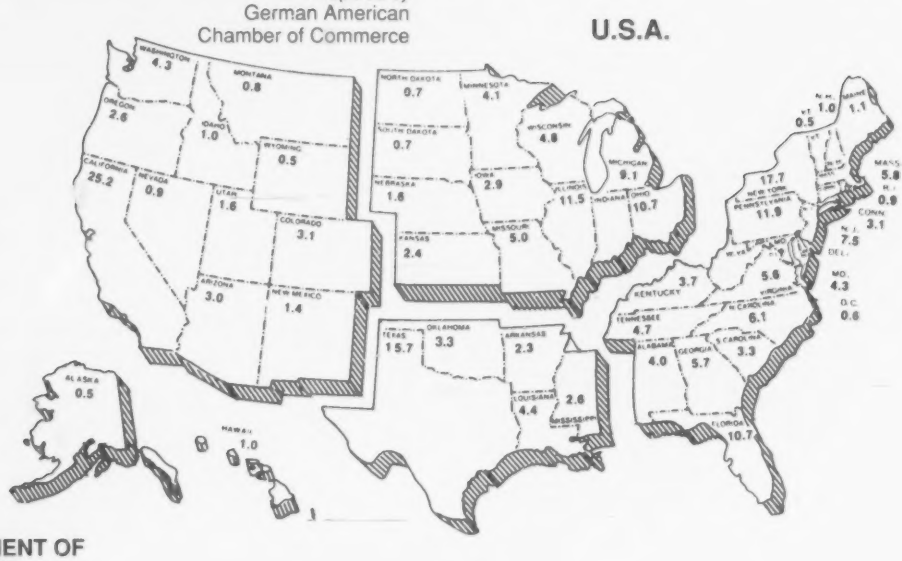


DEVELOPMENT OF POPULATION

Population Break (in mil)	1960	1970	1980	1985	1986	1987	1988	1989
Area (in 1000 sq. miles)	3,618.7	3,618.7	3,618.7	3,618.7	3,618.7	3,618.7	3,618 7	3,618 7
Population (in mil.)	180.0	204.0	227.2*	238.7	241.1	243.1	248.0	248.2
—male	88.3	98.9	110.0	116.2	117.4	118.3	120.1	121.0
—female	90.9	104.3	116.5	122.6	123.7	124.8	126.0	127.3
Households (in mil.)	52.8	63.4	80.0	86.8	88.8	90.4	91.1	93.0

Source: U.S. Department of Commerce **Based on new benchmark levels. Not comparable with previously published data.*

Labor Market

Period	Civilian Labor Force	Employed	Unemployed	%
1960	69,628	65,778	3,852	5.5
1970	82,71 5	78,627	4,088	4.9
1980	1 04,719	97,270	7,448	7.1
1985	115,461	107,1 50	8,312	7.2
1986	117,834	109,597	8,237	7.0
1987	119,865	112,440	7,425	6.2
1988	1 21,669	114,968	6,701	5.5
1989	123,869	117,342	6,528	5.3

Source: U. S. Bureau of Labor Statistics, Employment and Earnings

Unemployment by Duration (in %)

	LESS THAN 5WEEKS	5-14 WEEKS	15-26 . WEEKS	27 WEEKS ANDOVER
1980	43.1	32.3	1 3.8	10.7
1985	42.1	30.2	1 2.3	15.4
1986	41.9	31.0	12.7	14.4
1987	43.7	29.6	12.7	14.0
1988	46.0	30.0	12.0	12.1
1989	48.6	30.3	11.2	9.9
1990	46.1	32.0	11.8	10.1

Source: U. S. Council of Economic Advisers

GERMANY

DEVELOPMENT OF POPULATION

Population Break (in mil.)	1960	1970	1980	1984	1985	1986	1987	1988	1989
Area (in 1000 sq. miles)	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0
Population (in mil.)	55.4	60.7	61.6	61.2	61.0	61.1	61.1	61.4	62.1
—male	26.0	28.9	29.4	29.2	29.2	29.2	29.3	29.5	NA
—female	29.4	31.8	32.1	31.9	31.8	31.8	31.8	31.9	NA
Households (in mil.)	19.5	22.0[1]	24.8	*	26.4	26.7	26.2	27.4	27.8

Source: Statistisches Bundesamt, Germany

Labor Market

Period Labor Force	Civilian	Employed	Unemployed	%
960	26,518	26,247	271	1.3
970	26,817	26,668	149	0.7
1980	27,948	27,059	889	3.8
1984	28,659	26,393	2,266	9.1
1985	28,897	26,593	2,304	9.3
1986	29,188	26,960	2,228	9.0
1987	29,386	27,157	2,229	8.9
1988	29,611	27,369	2,242	8.7
1989	29,779	27,741	2,038	7.9
1990	30,322	28,440	1,882	7.2

Source: Statistisches Bundesamt, Germany; Bundesminister für Wirtschaft, Germany

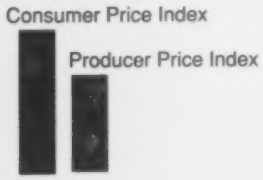
Unemployment by Duration (in %)[1]

	LESS THAN 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-2 YEARS	2 YEARS AND OVER
1980	21.2	30.4	18.8	16.7	7.8	5.1
1982	14.9	24.6	18.3	24.2	13.5	4.4
1984	11.6	21.7	16.2	21.7	17.3	11.5
1985	12.3	20.2	15.8	20.7	16.9	14.1
1986	12.2	20.0	15.6	20.2	16.3	15.6
1987	12.1	20.3	16.0	19.8	15.8	16.1
1988	11.7	20.1	16.0	19.6	16.1	16.5
1989	14.3	21.4	15.6	17.2	14.7	16.7

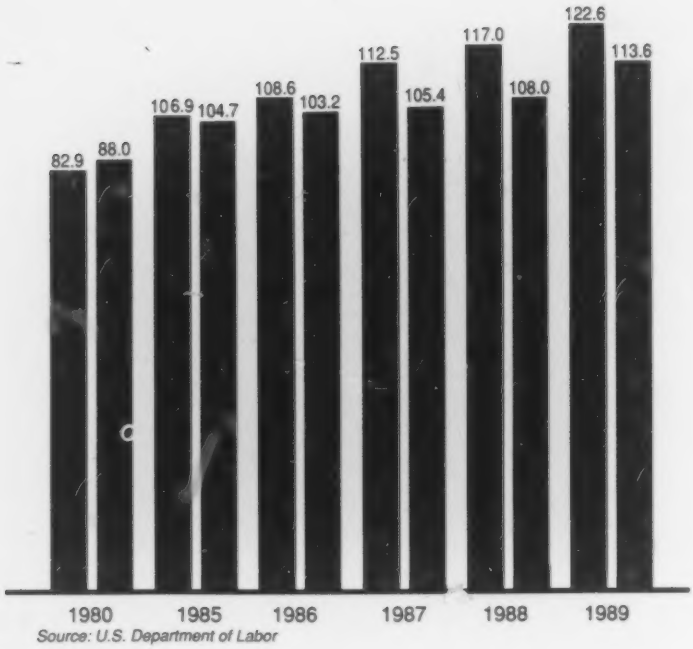
Source: Bundesanstalt für Arbeit
1) As of September

U.S.A.

PRICES AND WAGES



Wages and inflation (1982=100)



Source: U.S. Department of Labor

CONSUMER PRICE INDEX (all urban consumers)

Period		1982-84 = 100
1970	average	39.0
1979	"	73.1
1980	"	82.9
1981	"	91.4
1982	"	96.9
1983	"	99.8
1984	"	103.3
1985	"	106.9
1986	"	108.6
1987	"	112.5
1988	"	117.0
1989	"	122.6

Source: U.S. Department of Labor

PRODUCER PRICE INDEX (finished goods)

Period		1982 = 100	Change from previous year
1970	average	39.3	+ 3.4
1979	"	77.6	+ 11.2
1980	"	88.0	+ 13.4
1981	"	96.1	+ 9.2
1982	"	100.0	+ 3.9
1983	"	101.6	+ 5.7
1984	"	103.7	+ 2.0
1985	"	104.7	- 1.0
1986	"	103.2	- 1.4
1987	"	105.4	+ 2.1
1988	"	108.0	+ 2.4
1989	"	113.6	+ 6.1

Source: U.S. Department of Labor

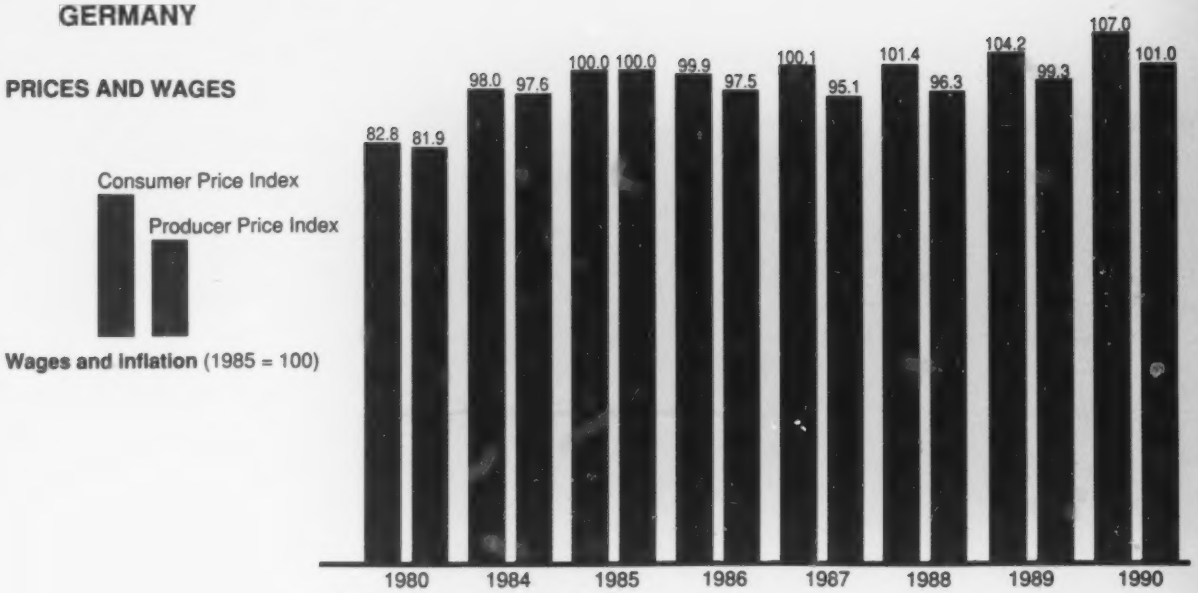
U.S.A. Gross Hourly Earnings (in $)
—average—
Manufacturing Industry

1982	8.49
1983	8.83
1984	9.19
1985	9.53
1986	9.73
1987	9.91
1988	10.19
1989	10.49
Nov. 1990	10.97

Source: U.S. Department of Commerce

GERMANY

PRICES AND WAGES



Wages and inflation (1985 = 100)

Source: Statistisches Bundesamt, Germany
Deutsche Bundesbank, Germany

CONSUMER PRICE INDEX

Period		1985 = 100	Change from previous year %
1975	average	67.9	+5.9
1980	"	82.8	+5.4
1981	"	88.0	+6.3
1982	"	92.6	+5.3
1983	"	95.7	+3.3
1984	"	98.0	+2.4
1985	"	100.0	+2.0
1986	"	99.9	-0.1
1987	"	100.1	+0.2
1988	"	101.4	+1.3
1989	"	104.2	+2.8
1990	"	107.0	+2.7

Source: Statistisches Bundesamt, Germany

PRODUCER PRICE INDEX

Period		1985 = 100	Change from previous year %
1975	average	67.4	+4.3
1980	"	81.9	+7.5
1981	"	88.3	+7.8
1982	"	93.5	+5.9
1983	"	94.9	+1.5
1984	"	97.6	+2.8
[illegible]	"	100.0	+2.5
[illegible]	"	97.5	-2.5
[illegible]	"	95.1	-2.5
1988	"	96.3	+1.3
1989	"	99.3	+3.1
1990	"	101.0	+1.7

Source: Statistisches Bundesamt, Germany

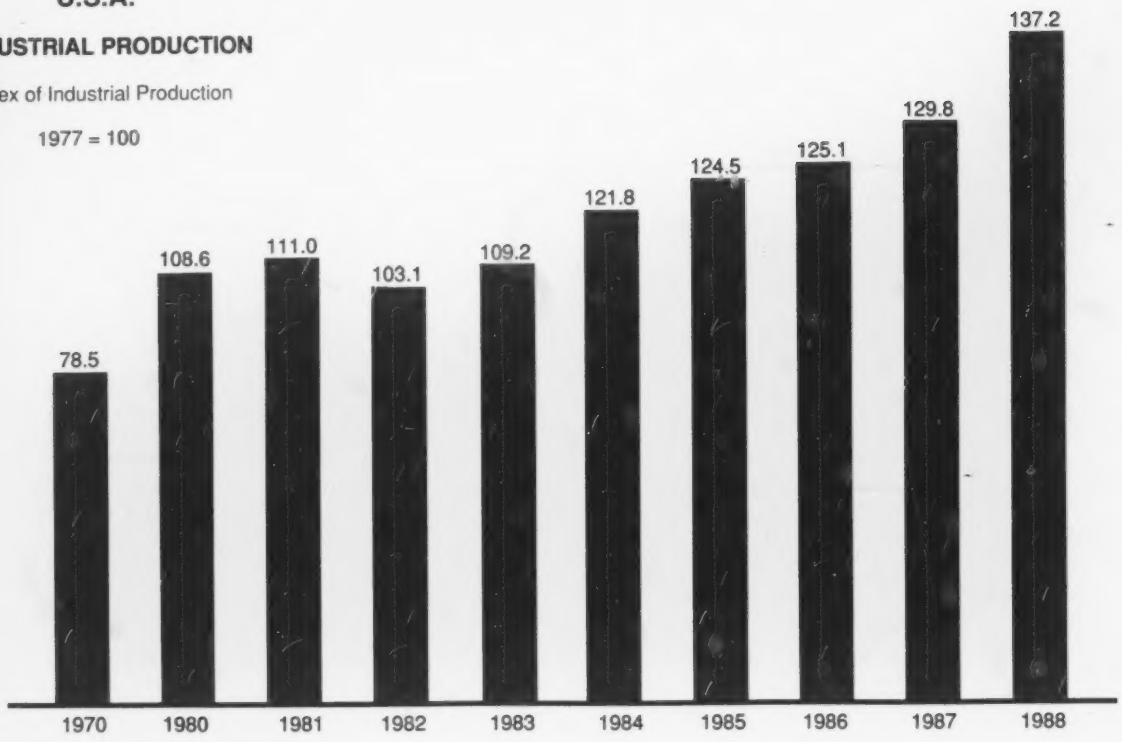
Germany Gross Hourly Earnings
(in DM)

	—average— Manufacturing Industry
1983	15.41
1984	15.77
1985	16.39
1986	16.99
1987	17.68
1988	18.43
1989	19.16
1990 Jan.	19.50
1990 July	20.43

Source: Statistisches Bundesamt, Germany

U.S.A.

INDUSTRIAL PRODUCTION



Source: U.S. Department of Commerce

Percentage change from preceding year and quarter	
1979	3.9
1980	-1 .9
1981	2.2
1982	7 1
1983	5 9
1984	11.5
1985	2.2
1986	0.5
1987	3.8
1988	5.6

Source: U.S. Department of Commerce

U.S.A. Capacity Utilization Rate (Percent; Industry)	
1970	79.2
1975	79.2
1980	79.2
1981	78.3
1982	70.3
1983	74.0
1984	80.8
1985	80.3
1986	79.1
1987	81.4
1988	84.0
1989	84.2
1990	82.9

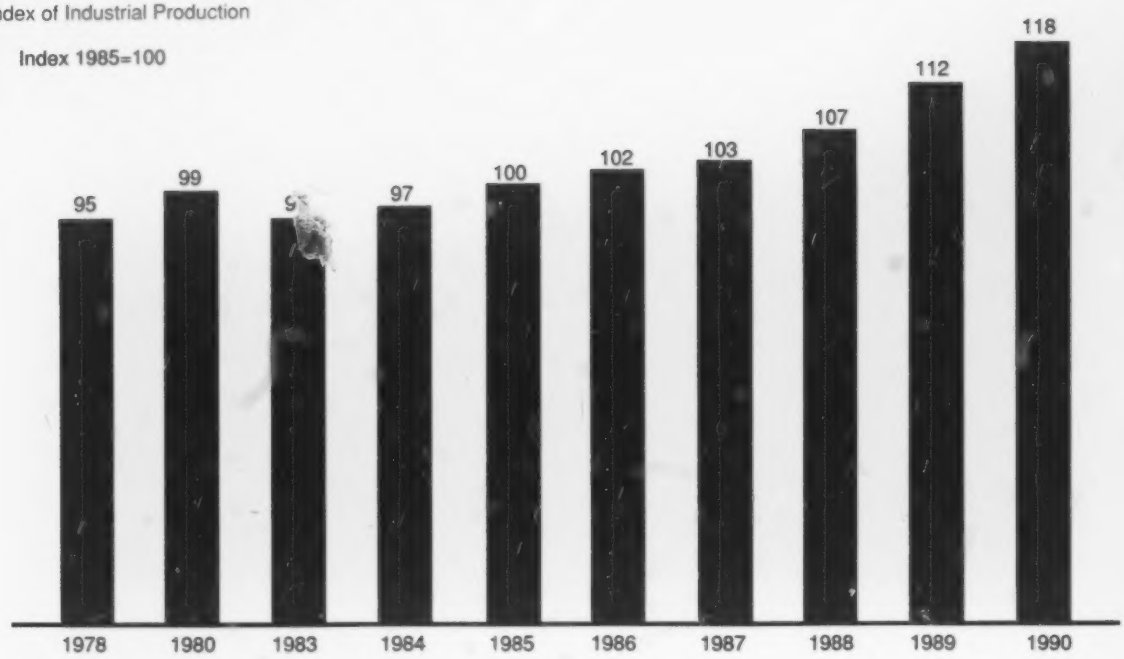
Source: Federal Reserve Board

GERMANY

INDUSTRIAL PRODUCTION

Index of Industrial Production

Index 1985=100



Source: Statistisches Bundesamt, Germany

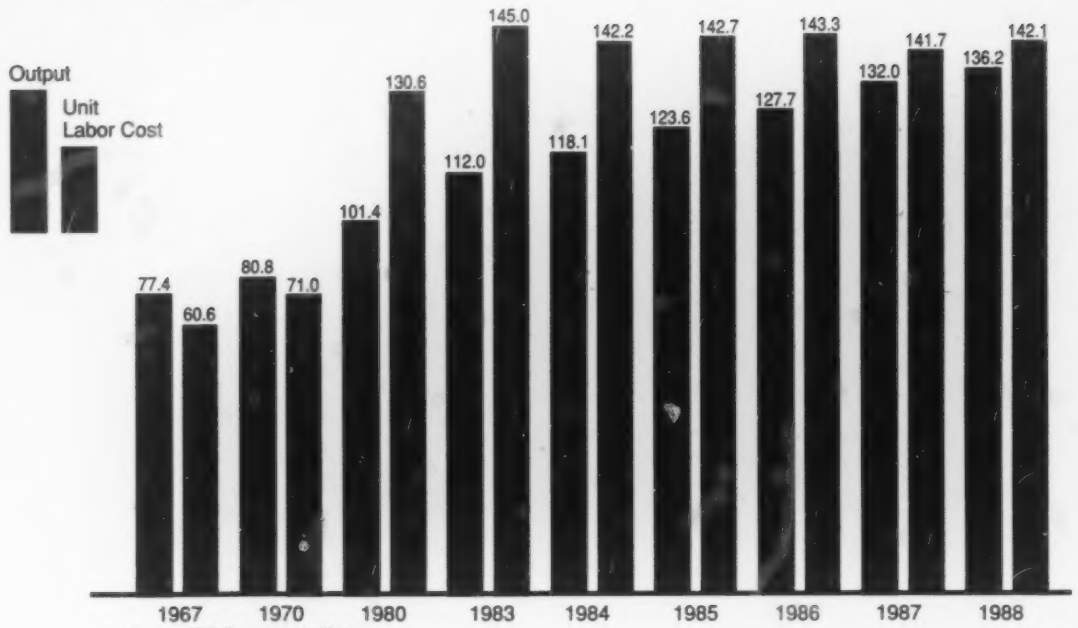
Percentage change from preceding year	
1979	+ 4.4
1980	+ 0.3
1981	- 2.5
1982	- 3.0
1983	+ 0.5
1984	+ 2.5
1985	+ 3.2
1986	+ 2.2
1987	+ 0.5
1988	+ 3.8
1989	+ 4.9
1990	+ 5.5

Source: Statistisches Bundesamt, Germany

U.S.A.

PRODUCTIVITY AND UNIT LABOR COST IN MANUFACTURING

Output and Unit Labor Cost per Hour
Index: 1977= 100
(on $ basis)



Source: U.S. Department of Labor

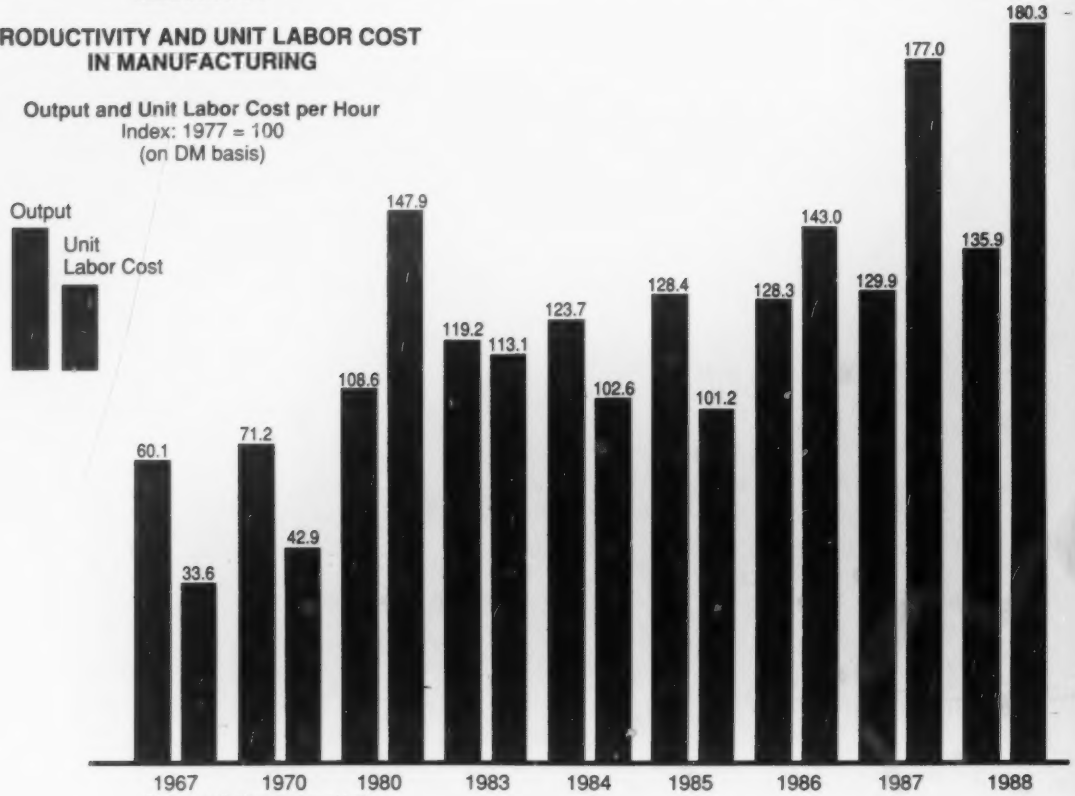
Period	Unit Labor Cost in $	Output per Man-Hour	Hourly Compensation
1967	60.6	77.4	47.0
1970	71.0	80.8	57.6
1979	117.0	101.4	118.8
1980	130.6	101.4	132.7
1981	140.1	103.6	145.8
1982	148.7	105.9	158.0
1983	145.0	112.0	162.4
1984	142.2	118.1	168.0
1985	142.7	123.6	176.4
1986	143.3	127.7	183.0
1987	141.7	132.0	186.9
1988	142.1	136.2	193.5
1989	NA	131.9	NA

Source: U.S. Department of Labor

GERMANY

PRODUCTIVITY AND UNIT LABOR COST IN MANUFACTURING

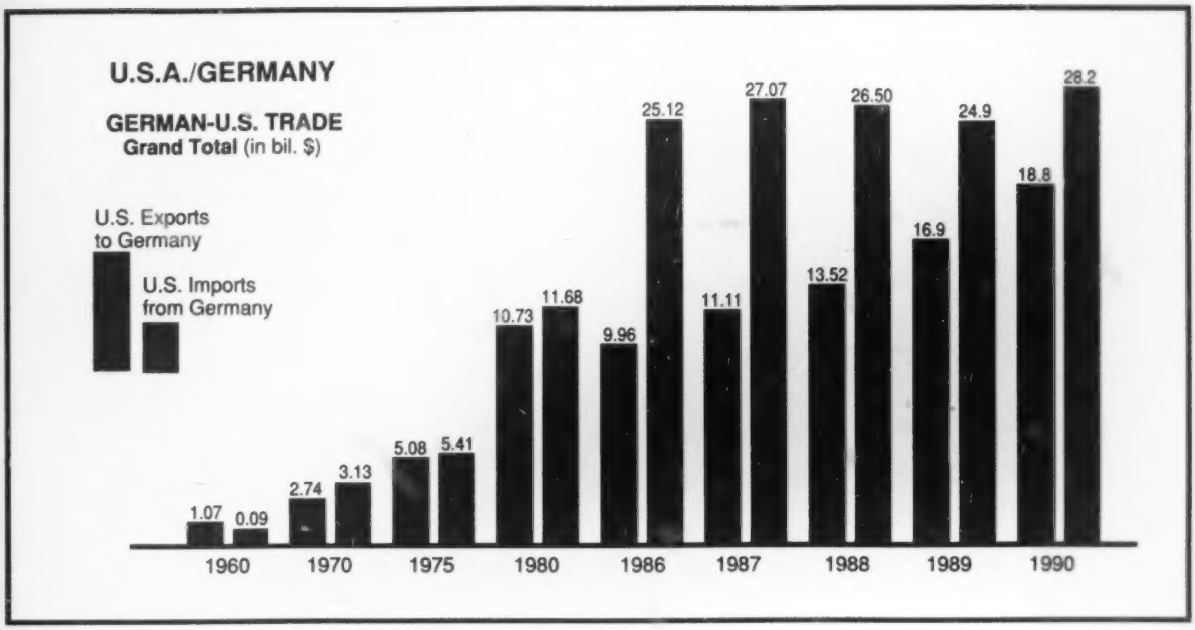
Output and Unit Labor Cost per Hour
Index: 1977 = 100
(on DM basis)



Source: U.S. Department of Labor

Period	Unit Labor Cost in $	Output per Man-Hour	Hourly Compensation
1967	33.6	60. 1	34.7
1970	42.9	71 .2	48.0
1978	117.9	103.1	107.8
1979	135.9	108.2	116.1
1980	147.9	108.6	125.6
1981	124.9	111 .0	134.5
1982	119.7	112.6	141.0
1983	113.1	119.2	148.4
1984	102.6	123.7	155.3
1985	101.2	128.4	164.6
1986	143.0	128.3	171.5
1987	177.0	129.9	178.1
1988	180.3	135.9	185.5

Source: U 5. Department of Labor



U.S.A.

DIRECT INVESTMENT

U.S. Direct Investment Abroad (in mil. $)
(cumulative)

By Country	1970	1980	1984	1985	1986	1987	1988	1989
United Kingdom	8,016	28,460	28,635	33,963	35,692	44,512	49,274	60,810
Japan	1,482	6,225	7,920	9,095	11,332	15,684	17,927	19,341
Germany	4,313	15,415	14,794	16,746	20,846	24,388	21,742	23,059
Canada	21,015	45,119	46,830	46,435	49,994	57,783	62,610	66,856
Italy	1,464	5,397	4,592	5,644	6,935	5,425	9,540	10,634
France	2,643	9,347	6,224	7,835	8,857	11,868	13,150	14,747
Switzerland	2,631	11,280	14,865	16,230	17,842	19,655	18,357	19,952

Source: U.S. Department of Commerce

Foreign Direct Investment in the U.S.A. (in mil. $)
(cumulative)

By Country	1970	1980	1984	1985	1986	1987	1988	1989
United Kingdom	4,127	14,105	38,387	43,766	55,935	79,669	101,909	119,137
Germany	680	7,596	12,330	14,417	17,250	20,315	23,845	28,223
Japan	229	4,723	16,044	19,116	26,824	35,151	53,354	69,699
Canada	3,117	12,162	15,286	16,678	20,318	24,013	27,361	31,538

Source: U.S. Department of Commerce

GERMANY

DIRECT INVESTMENT

German Direct Investment Abroad (in mil. DM)
(annual rates)

By country	1980	1984	1985	1986	1987	1988	1989
United States	3,380.1	3,257.5	7,665.4	8,003	7,473	8,493	3,840
Belgium/Luxemburg	1,028.1	474.8	562.3	290	127	935	1,838
France	453.7	494.1	494.5	486	758	898	1,678
Brazil	362.7	130.2	-69.2	-42	238	98	84
Switzerland	542.9	211.7	38.8	473	144	784	167
Canada	421.5	208.0	36.2	413	212	411	809
United Kingdom	171.0	1,091.1	2,615.6	985	1,144	1,508	4,461
Spain	228.2	533.2	52.2	1,223	299	773	1,236
Netherlands	254.8	579.5	-33.7	1,745	116	1,021	1,665
Italy	212.8	207.9	1,221.7	1,151	260	1,037	471
By industry	**1980**	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**
Chemicals, medical, pharmac. products	751.2	925.4	4,149.1	4,288	1,596	2,718	2,084
Finance	968.2	1,321.8	2,814.8	1,814	725	1,524	3,810
Electrical engineering	605.0	757.8	876.4	1,899	528	2,072	2,095
Motorvehicles	897.9	1,182.8	1,340.6	2,199	540	1,021	275
Mechanical engineering	807.8	416.5	370.7	402	565	973	1,052
Iron & Steel	224.0	260.0	67.1	213	499	223	312
Petroleum	301.9	425.0	43.6	611	447	440	148
Insurance	233.7	276.8	2,052.2	740	1,411	2,196	2,064
Real estate	151.1	267.9	42.2	-68	32	32	81

Source: Deutsche Bundesbank, Germany

Foreign Direct Investment in Germany (in mil. DM)
(annual rates)

By country	1980	1984	1985	1986	1987	1988	1989
United States	172.2	-132.1	572.1	-412	-387	-3,253	433
Switzerland	88.5	285.9	536.9	750	474	484	-235
United Kingdom	908.8	1,591.4	618.8	518	131	494	-22
Netherlands	574.0	86.0	773.1	898	217	908	-744
France	175.1	359.0	93.4	356	156	626	4,251
Belgium/Luxemburg	36.	-24.6	-18.0	-178	-32	63	163
Japan	155.3	351.8	588.4	246	454	547	994
Sweden	104.7	1.5	7.6	16	57	383	-96
Italy	32.0	435.4	160.8	84	-242	187	849
Austria	30.0	167.6	14.6	85	-136	52	194
By industry	**1980**	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**
Holding companies	15.2	445.8	1,380.0	2,565	739	3,560	5,558
Petrolem	298.4	377.5	48.9	300	*)	-2,272	*)
Finance	603.0	1,407.2	1,346.6	339	576	407	923
Chemicals	950.9	82.2	-296.2	-848	-164	344	-675
Electrical engineering	31.1	39.1	189.4	48	-414	-52	-162
Mechanical engineering	213.6	338.2	59.6	-12	-279	-278	-55
Motor vehicles	26.3	271.0	139.0	243	-643	-83	-39
Food	-222.4	83 .6	99.1	-78	507	-243	-154
Nonferrous metals	80.2	79.8	61.3	-39	*)	-5	-78
Iron & Steel	-29.3	-126.5	-39.2	*)	*)	4	-39

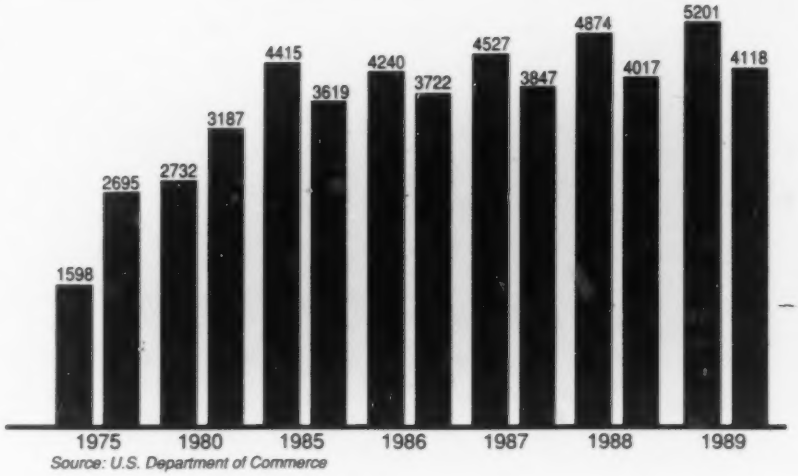
Source: Deutsche Bundesbank, Germany
Bundesministenum fur Wirtschaft

*) *Not Available*

U.S.A.

GROSS NATIONAL PRODUCT
(in bil. $)

GNP Total



Source: U.S. Department of Commerce

GNP by Type of Expenditure
(at current prices)

Period	Gross National Product	% chg. from yr. earlier	Personal Consumption	Government Consumption	Gross Private Domestic Investment	Net Exports of Goods and Services
1972	1,212.8	10.0	757.6	250.0	202.0	3.2
1973	1,359.3	12.1	837.2	266.5	238.8	16.8
1974	1,472.8	8.3	916.5	299.1	240.8	16.3
1975	1,598.4	8.5	1,012.8	335.0	219.6	31.1
1976	1,782.8	11.5	1,129.3	355.9	277.7	18.8
1977	1,990.5	11.7	1,257.3	387.3	344.1	1.9
1978	2,249.7	13.0	1,403.5	425.2	416.8	4.1
1979	2,508.2	11.5	1,566.8	467.8	454.8	18.8
1980	2,732.0	8.9	1,732.6	530.3	437.0	32.1
1981	3,052.6	11.7	1,915.1	588.1	515.5	33.9
1982	3,166.0	3.7	2,050.1	641.7	447.3	26.3
1983	3,405.7	7.6	2 234.5	675.0	502.3	-6.1
1984	3,772.2	10.7	2 430.5	735.9	664.8	-58.9
1985	4,414.9	17.0	2,629.0	820.8	643.1	-78.0
1986	4,240.3	-4.0	2,807.5	871.2	665.9	-104.4
1987	4,526.7	7.0	3 012.1	924.7	712.9	-123.0
1988	4,873.7	7.8	3,238.2	962.5	747.1	-74.1
1989	5,200.8	NA	3,450.1	1,025.6	771.2	-46.1

Source: U S. Department of Commerce

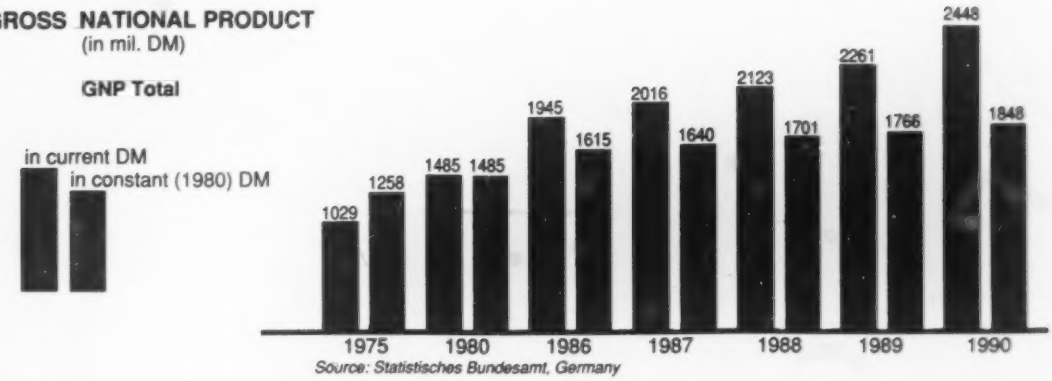
GNP by Type of Expenditure
(at constant 1982 prices)

Period	Gross National Product	% chg. from yr. earlier	Personal Consumption	Government Consumption	Gross private domestic investment			Net Exports of Goods and Services
					Nonresidential fixed	Residential fixed	Change in business inventories	
1 972	2,608.5	5.0	1,621 .9	570.7	277.0	1 66.6	21 .8	-49.5
1973	2,774.1	5.2	16,89.6	565.3	317.3	163.4	40.0	-31.5
1974	2,729.3	-.5	1,674.0	573.2	317.8	130.2	33.3	0.8
1975	2,695.0	-1.3	1 711.9	580.9	281.2	114.9	-12.8	18.9
1976	2,826.7	4.9	1 803.9	580.3	290.9	140.8	22.1	-11.0
1977	2,958.6	4.7	1,883.8	589.1	324.0	168.1	29.1	-35.5
1978	3,115.2	5.3	1,961.0	604.4	362.1	178.0	36.8	-26.8
1979	3,192.4	2.5	2,004.4	609.1	389.4	170.8	15.0	3.6
1980	3,187.1	-.2	2,000.4	620.5	379.2	137.0	-6.9	57.0
1 981	3,248.8	1 .9	2,024.2	629.7	395.2	126.5	23.9	49.4
1982	3,166.0	-2.5	2,050.7	641.7	366.7	105.1	-24.5	26.3
1983	3,279.1	3.6	2,146.0	649.0	361.2	149.3	-6.4	-19.9
1984	3,501.4	6.8	2,249.3	677.7	425.2	170.9	62.3	-84.0
1985	3,618.7	3.4	2,354.8	731.2	453.5	174.4	7.4	-104.3
1986	3,721.7	2.8	2,455.2	760.5	433.1	195.0	13.8	-137.5
1987	3,847.0	3.4	2,521.0	780.2	445.1	195.2	18.1	-128.9
1988	4,016.9	4.6	2,606.5	780.5	487.2	194.9	23.6	-75.9
1989	4,117.7	NA	2,656.8	798.1	506.1	187.0	23.8	-54.1

Source: U.S. Department of Commerce *Note: For 1984, 1985, and 1986 GNP in constant (1982) dollars*

GERMANY

GROSS NATIONAL PRODUCT
(in mil. DM)



Source: Statistisches Bundesamt, Germany

GNP by Type of Expenditure (in mil. DM)
(at current prices)

Period	Gross National Product	%chg. from yr.earlier	Personal Consumption	Government Consumption	Investment	Net Exports of Goods and Services
1960	303.0	11.7	171.8	40.5	73.6	60.7
1970	675.7	13.o	368.9	106.5	172.1	152.9
1974	985.6	7.3	533.7	190.2	212.7	279.o
1975	1,029 4	4.4	585.3	210.0	209.4	271 2
1976	1,126.2	9.4	632.5	221.7	225.7	309.o
1977	1,199.2	6.5	683.2	235.o	242.4	325.8
1978	1,291.6	7.7	728.9	252.9	266.o	344.7
1979	1,396.6	8 1	785.o	273.3	303.4	377.4
1980	1,485.2	6.3	840.8	297.8	335.8	422.3
1981	1,545.1	4 0	887.9	318.2	335.2	482.1
1982	1,597.1	3.4	918.1	326.2	326.9	517.5
1983	1,680.4	5.2	964.2	336.2	343.8	524.8
1984	1,769.9	5.3	1,003.6	350.2	354.6	590.8
1985	1,844.3	4.2	1,038.3	365.7	360.8	647.5
1986	1,945.2	5.5	1,068.6	382.7	377.4	638.2
1987	2,015.6	3.6	1,110.3	397.5	390.0	639.3
1988	2,123.2	5.3	1,154.3	412.7	416.0	687.9
1989	2,261.3	6.5	1,211.3	419.0	458.4	787.1
1990	2,447.7	8.2	1,296.3	447.1	515.3	868.4

Source: Statistisches Bundesamt, Germany

GNP by Type of Expenditure
(at constant 1980 prices)

Period	Gross National Product	% chg. from yr.earlier	Personal Consumption	Government Consumption	Investment	Net Exports of Goods and Services
1960	731.7	—	370.6	137.5	189.9	120.9
1970	1,134.0	5.0	606.8	211.9	291.9	248.4
1974	1,276.5	0.2	691.5	253.4	286.4	348.0
1975	1,258.0	-1.4	713.9	262.8	271.3	324.6
1976	1,328.2	5.6	740.4	266.8	281 0	356.7
1977	1,363.4	2.7	771 8	270.4	291.1	368.5
1978	1,407.9	3.3	801 5	280.8	304.7	383.7
1979	1,463.6	4.0	830.4	290.3	326.7	401.0
1980	1,485.2	1.5	840.8	297.8	335.8	422.3
1981	1,485.3	0.0	836.4	303.3	319.7	456.7
1982	1,471.0	0 1	825.2	300.7	302.9	471.5
1983	1,498.9	1 9	839.6	301.4	312.4	469.0
1984	1,548.1	3.3	852.3	308.8	314.9	511.1
1985	1,578.1	1.9	864.0	315.3	315.1	545.7
1986	1,614.7	2.3	893.4	323.4	325.4	545.9
1987	1,639.8	1.6	922.6	328.4	332.4	551.1
1988	1,700.5	3.7	947.5	335.9	349.4	582.3
1989	1,766.0	3.9	963.9	332.9	374.3	649.2
1990	1,847.6	4.6	1,005.9	342.5	404.9	711.1

Source: Statistisches Bundesamt, Germany

GERMANY / U.S.A.

CURRENCY EXCHANGE RATES

Average Exchange Rates
(value of $1.00 in DM)

Annual Average

1975	DM 2.46
1977	2.32
1978	2.01
1979	1.83
1980	1.82
1981	2.25
1982	2.43
1983	2.56
1984	2.85
1985	2.94
1986	2.17
1987	1.80
1988	1.76
1989	1.88
1990	1.62

Source Deutsche Bundesbank

Monthly Average

1988	Jan.	1.6517	1989	Jan.	1.8304	1990	Jan.	1.6918
	Feb.	1.6976		Feb.	1.8521		Feb.	1.6760
	March	1.6780		March	1.865		March	1.7045
	April	1.6733		April	1.8704		April	1.6882
	May	1.6934		May	1.9503		May	1.6617
	June	1.7557		June	1.9809		June	1.6840
	July	1.8440		July	1.8941		July	1.6399
	Aug .	1.8874		Aug.	1.9260		Aug.	1.5707
	Sept.	1.8669		Sept.	1.9526		Sept.	1.5697
	Oct.	1.8215		Oct.	1.8665		Oct.	1.5233
	Nov.	1.7497		Nov.	1.8305		Nov.	1.4870
	Dec.	1.7555		Dec.	1.7414		Dec.	1.4920

Source: Deutsche Bundesbank

Ratio of Savings to Disposable Personal Income
(percent)

U.S.A.		Germany	
1980	7.1	1980	14.0
1981	7.5	1981	14.8
1982	6.8	1982	13.8
1983	5.4	1983	12.2
1984	6.3	1984	12.8
1985	5.1	1985	12.7
1986	4.0	1986	13 5
1987	3.2	1987	13.6
1988	4.2	1988	13.9
1989	4.6	1989	13.5

Source: U S. Department of Commerce

Source: Deutsche Bundesbank

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GERMAN FIRM	MOST IMPORTANT U.S. AFFILIATE OR PARTICIPATION	PERCENT SHARE	NUMBER OF EMPLOYEES
Bayer	Miles Inc.	100	15,000
	Mobay Corporation	100	7,000
	Agfa Corporation	100	5,100
	Haarman & Reiner Corporation	100	600
	Deerfield Urethane, Inc.	100	40
	Hermann C. Starck, Inc.	100	20
	NCR, Inc.	100	300
	Rhein Chemie Corporation	100	150
	Bayer USA corporate staff	100	60
Bertelsmann AG	Bertelsmann, Inc.	100	10,133
	Bantam Doubleday Dell Publishing Group	100	
	Bertelsmann Music Group	100	
	Bertelsmann Printing and Manufacturing Corp.	100	
	Brown Printing Corporation	100	
	Doubleday Book and Music Clubs	100	
	Gruner & Jahr USA Publishing	100	
	Sonopress, Inc.	100	
BASF	BASF Corporation	100	21,557
Hoechst	Hoechst Celanese Corp.	100	24,300
Siemens AG	Siemens Corporation	100	35,000
	Siemens Automotive	100	
	Siemens Components, Inc.	100	
	Siemens Energy & Automation, Inc.	100	
	Siemens KWU, Inc.	100	
	Siemens Medical Corporation	100	
	Siemens Private Communications Systems, Inc.	100	
	Siemens Transportation Systems	100	
	Osram Corporation	100	
Thyssen Group	Budd Co.	100	n.a.
Daimler-Benz Group	Freightliner	100	5,800
Henkel KGaA	Clorox	27	5,600
	Henk l Corp.	100	3,000
Tengelmann Group	Gr at A&P Tea	52.5	83,000
Franz Haniel & Cie	Scrivn r Inc.	100	4,000
Otto Versand	Spieg l Inc.	100	6,000

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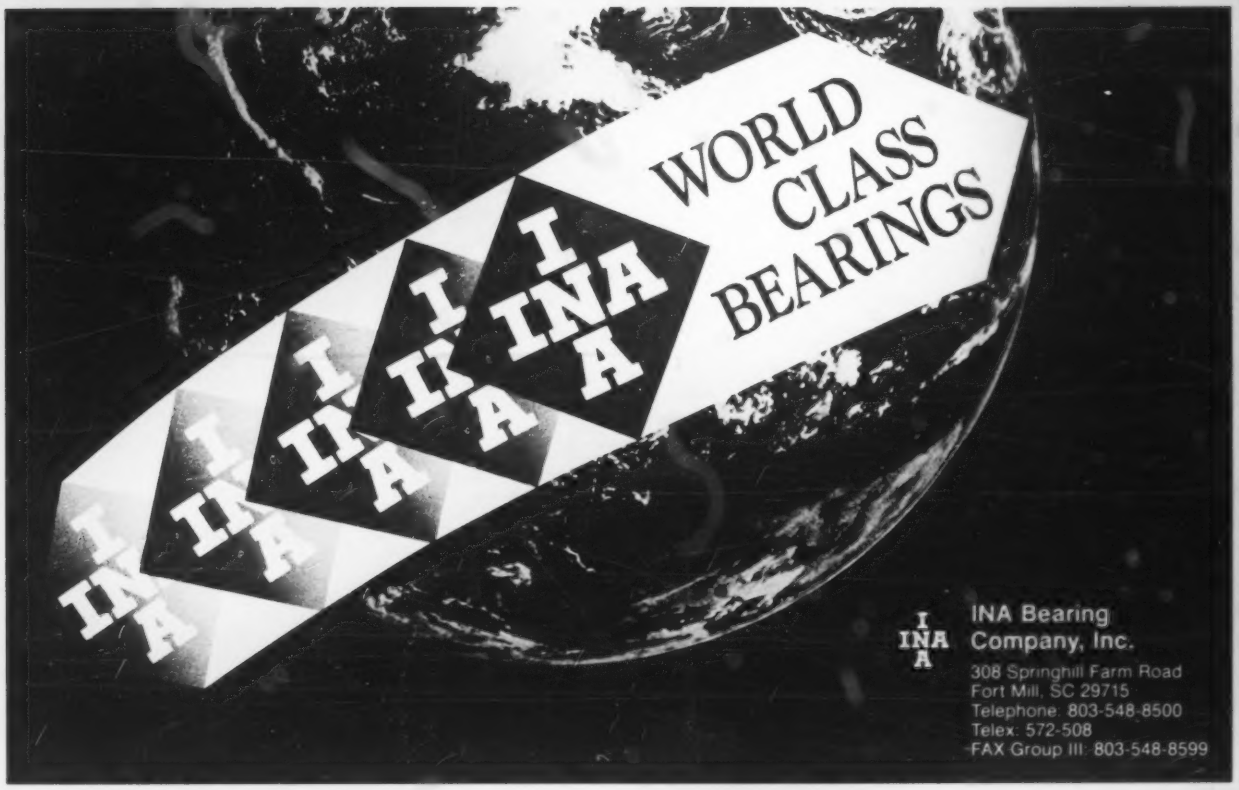

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